

CURRENT HISTORY

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EDITOR'S NOTE

The Soviet Union didn't get it. Some of Latin America is beginning to get it. Sub-Saharan Africa isn't even close to getting it. But East Asia has got it—the formula for economic if not political success. Led by Japan, the “four tigers”—Hong Kong, South Korea, Singapore, and Taiwan—have experienced phenomenal growth since 1965, and in the last decade China and a few other Southeast Asian nations have joined their ranks. How this “East Asian miracle” (as a recent World Bank study terms it) came to be is the subject of Robert Wade's essay in this issue.

The need for the United States to capitalize on East Asia's economic success is the focus of long-time Asian observer Donald Zagoria's article. While lauding President Clinton for making Asia one of his first trips abroad, he notes that more than symbolism is needed if the United States wants to remain an important player in one of the few regions of the world moving toward the twenty-first century with little ethnic and political turmoil.

It is this peace that has come to East Asia, and especially for the war-scarred region of Southeast Asia, that propels Donald Weatherbee's discussion. With the core of the region economically confident—and with Indochina, especially Vietnam, beginning to shed socialism for the market—the states of Southeast Asia have begun to look at new ways of cooperating with each other and with powers such as the United States and Japan. The latter, the subject of Stephen Anderson's piece, is also searching for what its role should be in the region and worldwide as it has adopted an activist diplomacy and commitment to aiding UN peacekeeping efforts.

Although South Korea is economically vibrant, politically it is just emerging from the authoritarianism that guided its economic development. The implications of this change, and the “game” North and South Korea have played since the end of the Korean War is explored by Manwoo Lee, as is the issue of succession in North Korea and the nuclear question that hangs over the country.

While not experiencing the growth seen in East Asia, South Asia's India has also begun to make economic strides—strides that have been clouded by the religious turmoil that has engulfed Indian politics, as Sumit Ganguly points out.

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"East Asia is destined to be a leading center of world power in the next century. A stable and increasingly democratic East Asia allied with or friendly to the United States and integrated into a trans-Pacific community, could be a potent force for United States security and global prosperity and stability. But an East Asia increasingly alienated from the United States that develops into a rival economic bloc. . . would be a serious threat to United States security and global stability."

Clinton's Asia Policy

BY DONALD S. ZAGORIA

Accused by critics of having failed to develop a coherent foreign policy vision for the post-cold war era, President Bill Clinton and his foreign policy team have begun to respond to the challenge. By this fall the Clinton team was sounding several large themes. First, United States interests are woven inextricably into a new global economy that the United States must harness to benefit the American people. To do this, the United States must get its own economic house in order, make trade a key element of American security, improve economic coordination among the major industrial powers in order to increase global growth, and promote steady economic expansion in the developing world, a rapidly expanding market for United States exports.

Second, the successor to the cold war doctrine of containment must be a strategy of enlargement. The strategy's highest priority should be to strengthen the bonds and common interests among the major market democracies in Europe, Japan, and North America. It must also help ensure democracy's success in Russia and in the world's other newly independent states.

Finally, in promoting global peace and security, the United States must try to stop the spread of weapons of mass destruction, prudently cut its military budget, and be prepared to use multilateral mechanisms such as the United Nations more often, but only under certain conditions and when multilateralism serves to protect American interests.

The Clinton administration East Asia policy was spelled out during the president's trip to Japan and South Korea in July 1993. The basic United States goal in the Pacific, the president said, is to join with Japan and other countries in the region to create a "new Pacific community." This community must rest on both economic and security pillars. The economic pillars include a revived partnership between the United States and Japan, and progress throughout the region toward more open economies and expanded trade. The security pillars include: a continued United States military commitment to the region; stronger efforts to combat nuclear proliferation; new regional dialogues on common security challenges; and support for democracy and more open societies throughout the region.

By late September another "security pillar" had been added. There were reports that the Clinton administration was preparing a series of new steps aimed at improving rapidly deteriorating relations with China, including the restoration of long-frozen United States contacts with the Chinese military. United States government sources also said that the administration was ready to send some senior officials to China, including Treasury Secretary Lloyd Bentsen, who would revive a bilateral Joint Economic Commission with China that has been suspended since the Tiananmen Square crackdown of 1989. In addition, American officials were reported to be considering steps to ease, or even waive entirely, the economic sanctions that the administration imposed on Beijing in August.

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THE EAST ASIAN POWERHOUSE

Any assessment of United States interests in East Asia must begin with the fact that the global balance of

power is increasingly shifting toward that area. Consider the following:

- East Asia, with almost half the world's population, is the most rapidly growing region of the world. By the end of the century, or in the early part of the next century, according to the IMF, it will account for 30 percent of world GNP while the United States will represent only between 18 and 19 percent.
- East Asian central banks control approximately 42 percent of total world central bank reserves. Extremely high savings rates—which exceed 30 percent of GNP—also mean that East Asia has the world's largest pool of capital.
- Japan is already the second-largest industrial economy in the world and could well catch up to the United States in total GNP in the early part of the next century.
- China is the world's fastest growing economy and, according to conservative estimates by American economists, it already has a GNP of about \$1.2 trillion.

East Asia is destined to be a leading center of world power in the next century. A stable and increasingly democratic East Asia allied with, or friendly to, the United States, and integrated into a trans-Pacific community could be a potent force for United States security and global prosperity and stability. But an East Asia increasingly alienated from the United States that develops into a rival economic bloc, and that pursues policies inimical to United States interests would be a serious threat.

For at least the remainder of this decade, the United States will have considerable strategic and economic leverage in East Asia. On the strategic side of the equation, virtually every country in the region wants the United States to remain engaged because they regard the United States as a relatively benign power that can check more troubling neighbors.

In Northeast Asia the United States is wanted to keep a cap on Japan's defense capability, to balance a rising China, to insure against a revival of an authoritarian, expansionist Russia, and to deter a Stalinist dictatorship in North Korea that now threatens to develop nuclear weapons. The Southeast Asian countries want the United States to balance China, which has territorial disputes with several governments in the region over the Spratly Islands, and which is steadily increasing its power projection capabilities.

No other country in East Asia could easily replace the United States as the external balancer. If the United States Seventh Fleet were withdrawn from the Pacific, the most likely development would be a naval arms

race between Japan, China, and other East Asian powers. The resulting instability would almost certainly harm the region's prosperity and security.

The United States also has considerable economic leverage in the region. Virtually every country wants a strong United States economic presence. Although intraregional trade is growing rapidly, for most East Asian countries the United States is their first or second-largest trading partner and largest export market.

The United States also has leverage because of East Asian concerns about an economically dominant Japan. Since Japan has by far the largest economy in the region, is the principal provider of development assistance, and is the major source of investment, greater United States trade and investment would balance Japan's regional economic role. And the Japanese themselves know that without a growing economic stake, United States interest in maintaining its military commitments may dwindle. If this were to happen, Japan would have to contemplate filling the power vacuum, a step that would almost certainly arouse considerable domestic opposition as well as concern throughout East Asia.

SETTING THE SECURITY AGENDA

In his July speech to the South Korean National Assembly, President Clinton went a long way toward allaying widespread fears in the region that a Democratic president preoccupied with America's economy would pursue a policy of retreat and disengagement from the Pacific. Clinton went out of his way to distance himself from the last Democratic president, Jimmy Carter, who announced his intention to withdraw United States ground troops from South Korea soon after he took office in 1976. Clinton reaffirmed in Seoul that the bedrock of America's security role in the Pacific must be a continued military presence and that troops would remain in South Korea "as long as the Korean people want and need us here." Moreover, Clinton announced that there would be no further reductions in American forces in South Korea pending clarification of the North Korean nuclear threat.

The president also reaffirmed the five bilateral security agreements the United States has with Japan, South Korea, Australia, the Philippines, and Thailand, and the intent of the United States to maintain "a substantial forward presence" so that Asia could focus less energy on an arms race and instead concentrate on economic development.

The second security theme developed by Clinton in Seoul was the determination of his administration to combat the spread of nuclear weapons and their delivery systems. The president urged North Korea to reaffirm its commitment to the nuclear Non-Proliferation Treaty (NPT), to fulfill its obligations to the International Atomic Energy Agency (IAEA), and to

implement bilateral inspections under the South-North Nuclear Accord. He also expressed concern over what he called North Korea's commitment to "indiscriminate sales" of Scud missiles and its efforts to develop and export an even more powerful missile with a range of 600 miles or more—a missile with the range to allow North Korea to threaten Japan.

A third security theme developed in Seoul was the commitment by the administration to develop regional dialogues on common security challenges. Clinton said there was no need for the Pacific community to create a single institution such as NATO to meet the new security challenges in the region because there was no single threat. Rather, the new arrangements are required to meet multiple threats and opportunities. Significantly, the president said that the United States was prepared to involve and engage China in this enterprise but he warned that China cannot be a full partner in the world community until it respects human rights and international agreements on trade and weapons sales.

Perhaps the trip's most important signal was the symbolism of a newly elected Democratic president choosing to go to South Korea so early in his administration—it was only his second official overseas trip—and to emphasize security rather than economic issues. The contrast with the Carter administration could not have been greater.

SETTING THE ECONOMIC AGENDA

While he was in Japan, Clinton unveiled his economic approach to the Pacific. The president said that his first priority was to create a new and stronger partnership between the United States and Japan. This was a major shift from the strident and confrontational rhetoric about Japan that had marked the first few months of his presidency. Clinton noted that the two countries together account for nearly 40 percent of the world's output; that neither nation can thrive without the other; and that the economic relationship benefited both countries. Unlike its relationship with all other wealthy nations, the United States had a huge and chronic trade deficit with Japan. This imbalance, he said, was in part simply a tribute to Japan's ability to produce high-quality, competitively priced goods. But it was also clear the United States markets were more open to Japanese products and investments than Japanese markets were for the United States. This hurt not only American workers and businesses but also Japanese consumers.

The Pacific community's second economic building block, Clinton argued, must be a more open regional and global economy. An essential starting point would be the successful completion of the Uruguay Round of the General Agreement on Tariffs and Trade. The United States would at the same time work to reduce regional trade barriers. The most promising forum for debating these issues was the organization for Asia-

Pacific Economic Cooperation. The 15 members of APEC account for nearly half the world's total output, and they include most of the world's rapidly growing economies. The United States was scheduled to host the APEC ministerial meeting in Seattle this November in an effort to discuss what could be done to reduce trade and investment barriers.

SETTING THE DEMOCRACY AGENDA

While in Asia, President Clinton also forcefully argued that the third United States priority in building a new Pacific community must be to support the wave of democratic reform sweeping the region. This was not, the president suggested, a moral crusade. Rather, the United States had concrete interests in the spread of democracy. Open societies are better equipped than closed societies to address the frictions that economic growth creates. A free press roots out corruption. The rule of law encourages and protects investment. Democracy also guarantees regional peace and stability because democracies do not wage war on each other, engage in terrorism, or generate refugees. Democracy is also the best guarantor of human rights.

Responding to those in Asia who argue that democracy is unsuited for the region or that human rights are relative, Clinton declared that the growing number of democracies and democratic movements in East Asia demonstrated that the Asian people themselves aspire to democracy.

BEYOND RHETORIC

Rhetoric aside, the crucial test of the new administration's Pacific policies will be in how well the administration responds to a number of challenges that are already on the horizon.

First is the pressing issue of how to deal with North Korea's nuclear challenge. North Korea denies that it is building nuclear weapons. Suspicions were raised, however, in March 1993 when the government said it would no longer allow the full inspection of nuclear facilities and subsequently announced its intention to withdraw from the nuclear Non-Proliferation Treaty. After the United States held two rounds of high-level talks with North Korea in June and July, North Korea announced it would resume negotiations on nuclear inspection with the IAEA and South Korea. But the North Koreans were angered when IAEA Director General Hans Blix put the inspection dispute on the IAEA general conference agenda in Vienna in late September. The north then called off the next round of talks with the agency.

Blix said North Korea's willingness to comply with inspection requirements appears to have "diminished rather than grown." He added that inspections made before March suggest that North Korea has nuclear material it has not reported and that the IAEA cannot exclude the possibility that the material has been used

for weapons. South Korea suspects that weapons-grade nuclear material is stored at a nuclear complex at Yongbyong, about 60 miles north of Pyongyang.

North Korea's rejection of the Non-Proliferation Treaty poses two grave dangers. First, if North Korea develops nuclear weapons, South Korea and Japan might create their own nuclear stockpiles as deterrents. The South Koreans are already alarmed and Japanese concerns have been heightened since North Korea tested a missile capable of reaching Japan earlier this year.

The IAEA can do little beyond formally urging North Korea to submit to inspections. But that could be a prelude to tougher action, such as economic or diplomatic sanctions, by the UN Security Council.

For its part, the United States has a variety of sticks and carrots with which to try to coax North Korea back into the NPT and the nuclear inspection regime. The sticks, however, are not very credible. One would be to ask the UN to impose economic sanctions on North Korea, something China is unlikely to agree to. Another would be the use of military force, but this would carry unacceptable risks.

The big carrot would be canceling the joint "Team Spirit" military exercises conducted annually by United States and South Korean forces and agreeing to eventual American diplomatic recognition of North Korea once Pyongyang agrees to comply with IAEA inspection. In the June meeting, hailed by North Korea as an important breakthrough, the United States and the north agreed to principles on which future relations could be based. These included assurances against the threat and use of force, including nuclear weapons; peace and security in a nuclear-free Korean Peninsula; and support for the peaceful reunification of Korea. In subsequent, unpublicized talks in October, United States and North Korean officials apparently went further toward resolving the nuclear dispute.

It would be a major diplomatic achievement and could become a real turning point in the Northeast Asian security environment if the Clinton administration eventually extends formal recognition to North Korea in exchange for an acceptance of IAEA inspection. This could open the way for a six-party dialogue between the four major powers (the United States, Japan, China, and Russia) and the two Koreas on arms control and the peaceful reunification of the peninsula.

THE CHINA CHALLENGE

A second major challenge for the United States in East Asia is China, with which relations have been steadily deteriorating since the Tiananmen massacre of June 1989. Some argue that China has lost its strategic importance to the United States with the end of the cold war and the collapse of the Soviet Union. In this view, the United States no longer needs to balance Soviet power by cultivating good relations with China.

This is extremely shortsighted. China remains of considerable strategic importance to the United States for a number of reasons. It is an influential member of the international order, holding a permanent seat on the UN Security Council, possessing a nuclear capability and satellite and missile technology, and fostering a huge and growing international market. It would be difficult to resolve many of the regional conflicts in East Asia without China's constructive participation, and it will be impossible to liberalize the trade and investment regime in East Asia unless China takes part.

The basic policy choice is between containing and integrating China. Containment is not a sensible policy. Few if any Asian countries would join the United States in pursuing it. Most Asian states are steadily improving their economic and political relations with China and believe that a stable and secure Asia is best achieved by trying to integrate China. Containment would also lead to a new cold war for which the American people are not prepared. The memories of two bloody conflicts in Korea and Vietnam make it doubtful that the American people would support policies that carried risks of a new confrontation with China, particularly if these policies were not supported by any American friends and allies in the region.

Integration is the key, since none of the central American goals in Asia can be achieved without some degree of cooperation with and the democratization of China. The best way to encourage such integration is to have a substantial American and Western cultural and economic presence in that country. The East Asian experience demonstrates that economic development—which leads to the rise of a middle class—and the telecommunications revolution—which makes it impossible for a country to isolate its people from the outside world—are powerful forces for democratization.

Already China is undergoing greater political change than is generally understood in the West. The old tools of Communist indoctrination are no longer effective. With small businesses springing up across the country, much of Chinese society is falling outside Beijing's control. The prosperous coastal provinces in particular have been able to defy the conservative Beijing leadership on many issues.

Moreover, China's security strategy has changed. China now recognizes the rising importance of economics to security and is increasingly interested in regional economic cooperation. The People's Republic has also begun to participate in a variety of regional security dialogues. Finally, despite occasional backtracking, China's attitude about international arms control is shifting. China agreed to comply with the Missile Technology Control Regime guidelines in November 1991, although there have since been several controversial Chinese sales. And in March 1992 China signed

the NPT and has played a constructive role on the North Korean nuclear issue.

The challenge for the United States is to develop a policy that balances our strategic, economic, and human rights interests in China. Denying China most favored nation trade status, for example, would be counterproductive. So is the continued avoidance of high-level contacts, most of which were suspended after Tiananmen. Even during the height of the cold war the United States did not suspend high-level dialogue with the Soviet Union. Doing so with China is irrational. High-level contacts between senior United States and Chinese military leaders should again take place in order to understand China's national security objectives and to clarify differences between the two countries on China's nuclear testing and sale of missiles. Also, the two countries should establish a bilateral human rights commission where the United States can engage the Chinese leadership in a vigorous yet quiet dialogue on human rights.

Sanctions should be employed to achieve specific objectives when cooperation has failed. But pursuing diffuse objectives through broad sanctions that are difficult to implement and that lack the support of friends and allies is, as the Atlantic Council and the National Committee on United States-China relations said in February 1993, "a formula for ineffectiveness and unilaterally disadvantages American economic and other interests."

THE MULTILATERAL CHALLENGE

A third challenge for the Clinton administration is developing a framework for effective multilateralism in the Pacific. The United States now participates in several multilateral organizations such as APEC, the Association of Southeast Asian Nations (ASEAN) Post-Ministerial Conference, and the newly organized Asian Regional Forum. There is a danger that some of these institutions will be too large and unfocused to achieve concrete results. The United States must decide which of these organizations should focus on economic objectives and which should concentrate on security goals. APEC is the appropriate forum for the United States to present concrete proposals on liberalizing trade and investment in East Asia.

Security discussions in East Asia, however, should be at the subregional level. Annual ASEAN foreign minister meetings, followed by the annual ASEAN Post-Ministerial Conference, are the appropriate forums for discussing regional conflicts in Southeast Asia. But Northeast Asia also needs similar settings to discuss issues such as the North Korean nuclear problem and the future of Korea. The recent trilateral discussions between the United States, Japan, and South Korea on the North Korean nuclear issue could provide the foundation for such a dialogue. Russia, China, and North Korea should be added in order to exchange

views on ways to promote peace on the Korean Peninsula (Canada and Mongolia should also be considered for membership in such an organization).

In the early stages, this Northeast Asian security dialogue could focus on Korea and on confidence-building measures. Each member nation would provide information on arms purchases and sales, military doctrine, and national security objectives. In the future the group could also discuss more difficult issues such as the Russo-Japanese territorial dispute and naval arms control in the Pacific.

THE COMPETITIVE CHALLENGE

The Clinton administration's final East Asian challenge will be finding ways to help American companies compete effectively in East Asia. In most of the region United States investment has not kept pace with that of Japan or even Taiwan and South Korea. As a result, the United States share of trade there is not increasing as rapidly as it should. In the 1980s, for example, the United States barely maintained its modest share of 16 percent of ASEAN imports while Japan raised its share to 24 percent.

Nor have several crucial sectors of American industry positioned themselves in East Asian markets. The automotive industry is a good example. Two-thirds of the unit volume growth in the automotive industry will come from the accelerating expansion of the East Asian car market. Firms who become part of that market will see tremendous annual volume increases of 20 to 30 percent. Yet no American auto producer is positioned to be more than a token player in Asia's booming automobile market.

One important factor contributing to the lag, however, is that in Japan, financial arrangements, information on regulations, markets, and customs, and marketing support are provided by huge Japanese trading firms. In the United States no similar public or private service trade promotion regime exists. The result is that many American firms, particularly small and medium-size ones, may be missing the boat in Asia.

The potential for United States business in East Asia is considerable. Indeed, American investment in East Asia is growing, albeit from a relatively small base. A few American companies have improved their competitive position in the region over the last five years and many expect to improve where they stand now over the next five years.

The Clinton administration and American business need to work cooperatively toward developing a strategy that enhances the competitiveness of American firms in the fastest growing part of the world economy. This will require, at the very minimum, the overhaul of America's antiquated foreign aid programs and the innumerable Congressional committees that now oversee them, as well as the streamlined machinery for export promotion. ■

"[M]erely changing the rules of the game will not create a Japanese government capable of moving forward in domestic and foreign policy. The structural changes at home mean a leaner economy and government austerity. The changes in the world at large force Japanese leaders to embrace their proclaimed activism. . . . The problem for politics and diplomacy is that the end of one-party dominance in 1993 has yet to reveal a new political order that provides leadership, reform, and international impact."

Japan: The End of One-Party Dominance

BY STEPHEN J. ANDERSON

This summer the Liberal Democratic party lost control of Japan's government. Between a June 18 no-confidence vote and the August 9 inauguration of a coalition cabinet, the party and the Diet were in upheaval. Scandal, internal splits, electoral stalemate, and an opposition coalition were the immediate causes of the ruling party's fall after 38 years in power.

Observers had not predicted rapid change in the LDP or the individuals who had governed since 1955. Analysts had pointed to structural weaknesses in the Japanese party system, while the media focused on the personalities of the leaders. The outcome took everyone by surprise. As the old leaders lost control, a new coalition unexpectedly began to pursue reforms.

THE OLD GUARD

From October 1991 until summer 1993, Kiichi Miyazawa led the government as prime minister and head of the Liberal Democratic party. Elected party president as a compromise candidate by the LDP factions that together held a majority of the seats in the Diet, Miyazawa, like many other recent leaders of the party who had ascended to the prime ministership, owed his position to and relied on funds from party vice president Shin Kanemaru.

Until overwhelmed by scandals in 1992, Kanemaru managed the party's largest faction, which had previously been headed by Kakuei Tanaka and was until this year led by Noboru Takeshita, both former prime ministers. The faction especially depended on Kanemaru to raise money—including, among other methods, stock deals revealed during the infamous Recruit

scandal of the late 1980s. Kanemaru met his downfall because of a second scandal that began with the discovery of payments by a Sagawa package express company to more than 60 politicians. Though scandals come and go in Japan, all the established political parties were caught in the web of the Recruit and the Sagawa scandals. In mid-1992 Kanemaru turned up at the center of the web, under suspicion of accepting 500 million yen (\$4.2 million) in illegal campaign funds.

The LDP power broker was forced to resign from the Diet. He was joined in disgrace by former faction leader Takeshita, and both were asked to resign from the party because of scrutiny of past contacts with right-wing groups. With these resignations, it appeared that the scandal might be managed. This January Kanemaru admitted his guilt; he was fined less than \$2,000 by the public prosecutor's office.

The settlement, however, created an uproar throughout Japan. It was condemned in the media and in 130 resolutions by local assemblies; a man outraged by it was arrested after throwing paint on the prosecutors' offices. In a reversal, Kanemaru's offices and residence were then raided by the prosecutors, who seized gold ingots, art works, and stock certificates. By March Kanemaru himself had been arrested, held in a small jail cell, and shown on television in a wheelchair after being hospitalized for diabetes. The ruling party had survived huge scandals in the past and the system had continued basically unaltered, but the negative publicity from this one, kept alive by new revelations throughout 1993, played a large part in the major political changes that were to follow.

REFORM AT LAST?

Political reform dominated public debate in the media and the Diet, but different groups gave different definitions of it. Japanese citizens wanted to end the back room deals of campaign financing and the "money politics" represented by Kanemaru and Tanaka

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and Takeshita before him, but extending to all the major political parties. Related reforms included changes in campaign laws, controls on individual candidate groups known as *koenkai*, and more complete disclosure of political contributions. Yet these objectives became secondary to revising the electoral rules for the House of Representatives, the Diet's powerful lower house. Reform, for the politicians, was limited to the rules of election, rather than involving anything that would disturb the delicate area of political contributions. Political reform thus came to focus on revising the electoral laws.

Under the 1947 constitution, the House of Representatives is invested with the ultimate powers of deciding on legislation, passing the budget, and electing the prime minister. Yet the body's election districts predate the constitution, relying on boundaries largely set in 1925. Districts have multiple members, meaning that between two and six Diet members are elected for each district. Imbalance between districts' population and number of Diet members gives greater weight to voters from nonsuburban districts—more than six to one in some cases. The imbalances have brought only piecemeal changes by court order, and the electoral system is now seen as unfair, irrational, and antiquated.

Doing away with the multimember districts is a key electoral reform problem. An alternative is medium or small districts with single members; this would strike at the way *koenkai* individual support groups have organized small segments of a district to ensure victory for their candidate. In addition, a separate system of proportional representation would imitate that used by the upper house, the House of Councillors, and provide for nationwide candidate lists set by each party. Under proportional representation, votes for a given party are counted, and candidates are awarded seats on the basis of a ranked party list. This system would yield the broad representation seen in the House of Councillors and would protect the smaller parties threatened by changes in House of Representatives districts. By late 1993, the favored proposal for reform was to elect 250 representatives by district and 250 by a nationwide vote using proportional representation.

ARCHITECTS OF A REVOLT

Among leading politicians, Ichiro Ozawa seized on the issue of reform. Ironically, Ozawa was the Liberal Democrats' heir apparent to the indicted Kanemaru; although he had formerly served as secretary general of the ruling party, he had distanced himself from the charges of corruption and the surrounding turmoil. As

Kanemaru's career fell victim to corruption charges, Ozawa's political fortunes rose when he broke with his faction, ostensibly over the issue of reform but partly for reasons of internal rivalry. Ozawa joined with former party finance minister Tsutomu Hata in forming a rebel group they called Reform Forum 21, which called on the prime minister to push for passage of immediate reforms. Yet Ozawa, the ultimate Liberal Democratic insider, was linked by opponents to the crimes of Kanemaru.

Prime Minister Miyazawa faced tremendous pressure to pursue reform. The internal pressure from the Hata-Ozawa group was matched by broad public disapproval. By June, Miyazawa's cabinet had less than 10 percent support in public opinion polls. Politicians were blamed for scandals and the lack of progress on reform, particularly during popular Sunday morning and late night news shows. As on "Meet the Press" or "Nightline" in America, Japanese politicians were called on to respond to criticism, face their opponents, and answer probing questions from journalists before the television cameras.

After a taped interview, Miyazawa was charged with being a "liar" when it came to his commitment to political reform. The prime minister had promised reform during the June Diet session in a television interview with journalist Soichiro Tahara. This pledge was to prove fatal. Clips from the interview were replayed repeatedly on television as evidence of Miyazawa's lying about reform and his inability to lead the government.

The defection of Ozawa and Hata at the end of the Diet session was a major blow to the prime minister. Miyazawa lost an unprecedented no-confidence motion when the rebels of the group paraded in front of the LDP leadership to cast their votes with the opposition and against their party; the final count was 255 to 220 against the Miyazawa government. No longer able to command a majority, the prime minister decided on immediate elections after the dissolution of the Diet.

On June 18 Miyazawa faced the cameras in a late night press conference to explain his call for elections. No compromise was possible, with most of the Liberal Democratic politicians unwilling to have their multimember districts altered by the electoral reform sought by forces behind the leadership of the Hata-Ozawa splinter group.

Two days later Hata and Ozawa defected to form a new party, Shinseito. LDP leaders decided to call snap elections for July 18 with the hope that their resources and organization would prevail; their opponents, on the other hand, planned a reshaping of the political world.¹ Among Japanese journalists, the idea of the "great man" driving political history pointed to Ichiro Ozawa as the person to bring an end to long-term rule by one party. At the same time, structural changes in

¹See "Time for a Change," *Far Eastern Economic Review*, May 6, 1993, for an interview with the magazine's Tokyo bureau chief that charts Ozawa's later strategy.

electoral competition and international relations that had set new parameters for Japanese politics had to be acknowledged.

ELECTION STALEMATE?

The 1993 election ended the arrangement known as the 1955 system, a term used to commemorate the merger that year of socialist and nonsocialist parties that had allowed the Liberal Democrats to first prevail in national elections. By itself, the 1993 balloting was not an utter defeat of the longtime ruling party; instead, the pre-election defection and the rise of several new parties because of popular movements and LDP defections drained away sufficient votes so that a majority was beyond the reach of any single party. The election signaled a structural change in Japanese politics: the long-term decline of a two-party system was being succeeded by a period in which multiple parties must join in coalitions to form governments. The July 18 results were actually ambiguous, and potentially pointed toward a stalemate.

The key result from the election was the defeat of the largest socialist party. The Nihon Shakaïto had recently announced a change in the official English translation of its name from the "Japan Socialist party" (a direct translation, by which it had long been known) to the "Social Democratic Party of Japan." But this did little to help it among voters. Though it formed the largest opposition bloc in the Diet, the party could no longer be counted on to win or to champion an opposition point of view in a two-party system. In 1989 the party enjoyed a brief surge of support at the polls as the result of a tax protest by small businessmen and the middle class. The party leader at the time, Takako Doi, the first woman to head a major party in Japan, led the 1989 victory in elections for the House of Councillors. Doi later won a nonbinding vote for prime minister in the Diet's upper chamber. But the July defeat was bitter for her party: from 141 seats in the 511-seat lower chamber, the party fell to only 77.

The results were mixed for the Liberal Democrats. The *koenkai* groups were seen as successful in their support of most LDP candidates, and the party remained the largest bloc in the House of Representatives, winning 223 seats outright. By August the LDP had gained the support of independents and controlled 228 seats, one more than the number it held in June after the defection. Nonetheless, 228 is short of the 256 that constitute a majority. The party lost its majority because of defection rather than the election, but the loss of the majority was a harsh reality for the leadership.

Several parties other than the LDP came off as winners in the election. The candidates from the new parties capitalized on the protests against scandal and calls for reform, and the alternative parties also challenged the traditional parties. The newcomers ben-

efited mostly from the decline of mainstream socialism, with the Democratic Socialist and Communist parties retaining 15 seats each. Among the established groups, the Buddhist-related Komeito used its neighborhood organization to gain a 7-seat increase, to 52 seats. But it was the new parties that had responded to and fueled the demand for political reform that won most of the redistributed Diet seats.

The media gave extensive coverage to the Japan New Party. In the July 1992 House of Councillors election, the party's first, it won 4 of the 126 upper chamber seats at stake. The party's leader, Morihiro Hosokawa, a former LDP governor of Kumamoto prefecture on the southern island of Kyushu, worked for the next year building a new party organization and recruiting candidates, including former television personalities, local leaders, and journalists to attract the support of younger and unaffiliated voters; the party won 36 seats in the House of Representatives in the July election. Hosokawa was joined by another former governor, Masayoshi Takemura, who had formed his own party in the Diet, the Sakigake party. With independents joining their bloc, the Japan New Party/Sakigake quickly reached the level of Komeito, controlling 52 seats.

Hata and Ozawa's Shinseito party was also successful. By August, Shinseito had gained a formidable 60 seats in the new Diet. Ozawa, hampered by people's association of him with scandal, decided not to attend the party's first press conference. Still, as secretary general he managed to raise funds, give candidates endorsements, and seek compromise on the creation of a non-LDP coalition. Shinseito benefits from having the most experience in national government among the new parties, as well as from its well-established candidates. In the new coalition, however, former ties by its members with the LDP meant trouble for the Shinseito candidate for prime minister, Tsutomu Hata.

None of the new parties had close to the LDP's plurality of seats in the House of Representatives. Commentators speculated that the Liberal Democrats might be able to form a new government, gathering some defectors back into the fold or even recruiting the Japan New Party to join a coalition. Such speculation died down only after internal debates revealed the depth of divisions within the LDP.

After the election results were in, the Liberal Democrats reorganized to prepare their response. In a vocal party meeting that was televised, subdued and shocked party elders listened to the loud and prolonged protests of younger members. In the race for party president, faction leader and Foreign Minister Michio Watanabe lost out to a reformed rebel, Yohei Kono. Kono had left the LDP in 1976 to act as a leader of the New Liberal Club, a splinter group, but had returned to serve as the chief cabinet secretary for the last Miyazawa cabinet. Now he was being elected party

president so that he might become the reformer of the party that fell from power. In balloting that in previous years would have been to choose the new prime minister, Kono was selected as the party's first opposition leader.

The results of the national election showed a lack of confidence in the LDP government. All the other parties except the Communists took the opportunity to create a coalition. The shape of this coalition, with groups ranging from the left-wing socialists to right-wing conservative defectors, meant that political compromise was vital. But aside from the goal of ending LDP rule, observers saw little common ground among the coalition partners. Few prophesied success.

CREATING A COALITION THAT WORKS

The new parties avoided stalemate by agreeing about their cause: ending the long rule of the Liberal Democrats. Between July 18 and August 8 negotiators in intense sessions built a coalition without the Liberal Democrats, eventually backing a newcomer to the national scene. In Japan, explanations for the coalition's formation and choice of leaders range from the working-out of intensely personal politics to the changes facing the Japanese government and the issue of foreign relations after the cold war.

Speculation after the election was that compromise on the prime ministership and cabinet posts would give the jobs to experienced LDP rebels, at least. The rebels Hata and Ozawa were committed to forming a coalition government, with Hata emerging as a front-runner for prime minister. In the middle, between the LDP and the rebels, the newcomer, Morihiro Hosokawa of the Japan New Party—who had remained uncommitted throughout the campaign and after the election, fueling speculation he might join with the LDP—held the deciding vote.

The early negotiations were misleading to observers. At first the LDP defectors led by Tsutomu Hata remained the credible alternative for forming a coalition government headed by non-LDP politicians. But Hata, and Ozawa working on his behalf, proved unacceptable to the left-wing socialists of the coalition. Hata fell victim to longtime opponents, particularly the other established politicians who opposed these former LDP members because of their proximity to scandal. As negotiations continued only a newcomer such as Hosokawa remained an acceptable leader for the broad coalition.

Hosokawa agreed to join a coalition government only if he were named the new prime minister. He promised ministerial portfolios to Hata and his allies as well as to the socialists, including the post of speaker of the House for the Nihon Shakaito's former head, Takako Doi. Seven parties were awarded cabinet posts in the process of sealing the careful compromise. The broad coalition, including an additional party of 11

Diet members without portfolio in the upper house and two nonpoliticians in the cabinet, had created a government.

On August 8 new Prime Minister Hosokawa immediately staked his future on achieving electoral reform, implying, just as Miyazawa had before him, that he would resign if such reform did not pass. "I intend this cabinet not simply to lead the country for a brief interlude but rather to undertake the important mission of opening the way for a new era," Hosokawa proclaimed at his first news conference. In the first month of the new government, Hosokawa proved tremendously popular; public opinion polls showed him with a 70 percent approval rating. But by year's end the newcomer to national politics faced struggles over the electoral system and a budget bill that would test his political acumen.

The Japanese economy has been hurt by the worldwide recession. Analysts speak of a deflating "bubble economy" following from the high real estate and stock prices of the 1980s. Yet the finance ministry and cautious politicians have avoided further rapid expansion of the economy through public spending after three stimulus packages this year. But fiscal conservatism is not merely a matter of ideology, because Japan is also looking at rising entitlements. Japan has the most rapidly aging population of any advanced industrial society. While only 6 percent of the population was over the age of 65 in 1990, projections put the figure at 12 percent by the end of 1993 and show it doubling again in 30 years. By 2023, 24 percent of Japan's population will likely be over age 65, and of these, 15 percent will be over 75. The Hosokawa government pledged that it would stay the course for most LDP entitlements; it will probably not make major changes in other areas of public spending that might disturb the economy.

The problems of the new government were not wholly internal. Japan is sharing in the prolonged recession that in Europe and the United States has suppressed demand for Japanese exports. Japan faced adjustments for the appreciation of the yen, from 126 to the dollar in June 1992 to 105 or 106 to the dollar this October, that left businesses to cope with substantial instability for their international trade. Both these economic uncertainties and the political demands that Japan take on a larger international role meant that the coalition government had to move rapidly simply to keep up with world events.

THE QUEST FOR ACTIVIST DIPLOMACY

At the end of the cold war, Japan needs policies commensurate with its economic power and place in the world. Some of its leaders have called for an active foreign policy, yet Japanese diplomacy has remained

cautious. In August the Foreign Ministry removed responsibility for security matters from the North American Affairs Bureau and placed it in a new general policy bureau designed to separate such matters from the American alliance.

Two years ago, Prime Minister Miyazawa was regarded as highly qualified to lead Japan in the international community. The senior statesman had served in a lengthy and broad-ranging list of leadership posts and spoke fluent English in which he would be able to articulate Japanese views. But anticipated successes were not achieved and his initiatives suffered a series of mishaps. In January 1992, Miyazawa was embarrassed when United States President George Bush became ill and fainted during a formal dinner in Tokyo. The pair had plans to announce a "global partnership," but instead the leaders of the world's two largest economies parted in confusion.

The muddle in relations with America did little to advance Japan's role in global politics. The Persian Gulf War early in 1991 had left Japan with lingering doubts about its position. UN allies had criticized Tokyo's contribution of money without personnel. By the time the 1992 elections for the Diet's upper house rolled around, debate focused on Japanese roles in peacekeeping efforts. The LDP eventually won a majority of 69 of the 126 contested seats, but the opposition ran strong and hard-hitting campaigns against the creation of a Japanese peacekeeping organization (PKO). (The 1947 constitution limits the Japanese Self-Defense Forces, which currently consist of 249,000 troops, to noncombat roles, and the opposition questioned the constitutionality of LDP-sponsored bills sending troops overseas.)

In the Diet the opposition protested the bill establishing the PKO through four all-night sessions, using a filibuster tactic known as the "cow-walk." Vocal opponents demonstrated and left-wing guerrilla groups set off explosions to protest the bill's passage in June 1992. Foreign critics, especially in China, South Korea, and Singapore, also cautioned against sending troops overseas.

Public opinion was divided on Japanese involvement in the UN peacekeeping effort in Cambodia. To deflect international criticism, the ruling party used the peacekeeping bill to create a new initiative under the UN umbrella and to encourage democratic elections in Cambodia. The peacekeeping troops of the newly constituted PKO force and civilian Japanese volunteers who went to Indochina did so at considerable risk. Japanese fears were to some extent realized with the deaths of several members of the national contingent: an election watcher was killed by a disgruntled worker, and then a policeman was killed and several were wounded by Khmer Rouge guerrillas. The dispatch overseas of members of the Japanese armed forces had raised fears of remilitarization both inside and outside

the country. Yet on balance, the effort has been rated a success because of the Cambodian election, the return of King Norodom Sihanouk, and the establishment of a new government.

In Cambodia, Japan showed leadership. In particular, Yasushi Akashi has served as the special representative leading the United Nations Transitional Authority in Cambodia. Akashi, a career diplomat who rose in the Japanese foreign ministry through his pursuit of challenging assignments, faced daunting tasks in the Cambodian peacekeeping effort, including the separation and disarming of warring groups including the Khmer Rouge.

PKO troops entered the limelight back home when sent to Cambodia. After Diet approval of the peacekeeping organization, troops had gone immediately to Sweden to train at UN facilities. Once in Cambodia, engineers built bridges, health care workers supported activities of the UN transitional authority in the country, and several thousand more PKO forces joined in policing and election monitoring. During New Year celebrations this year, Japan's national broadcasting company, reflecting popular interest, featured live, nonstop, dusk-to-dawn coverage from Angkor Wat, Cambodia. In 1993 Japanese citizens became increasingly aware of and gave growing approval to the efforts to support stability in Southeast Asia.

THE US AND UN CONNECTIONS

Relations between Japan and the United States are based on a mutual security treaty and economic ties that remain a pillar of world order. In July Miyazawa hosted a reassuring Group of Seven summit meeting attended by President Bill Clinton and leaders of the world's five other leading industrial nations. Miyazawa stressed the theme of global partnership in security, political cooperation, cultural ties, and scientific exchanges. Many Japanese preferred the Republican administrations of Reagan and Bush, yet they accepted the coming of a new Democratic government. The switch to the Democrats raised hopes among those Japanese who had long urged America to lower its budget deficit, improve infrastructure, and increase competitiveness. By the meeting's end, the Japanese and American chief executives had agreed on a bilateral trade framework that created some anticipation of improved economic ties.

During his visit to Tokyo, Clinton met with the future leadership. A United States embassy reception for political leaders overcame the ruling party's criticism and gave the president a chance to meet future deputy prime minister Hata Tsutomu and future prime minister Hosokawa. With their message of change for their countries, Clinton and Hosokawa had common ground on which to begin their relationship during a meeting at the UN in New York in September.

Since Miyazawa had weathered criticism of UN initiatives, Hosokawa committed himself to continue such policies. Officials hoped that foreign policy actions would allow for Japanese leadership based on economic competitiveness and overseas development assistance. Unofficial flows of capital and investment more than double the \$10.95 billion in official aid from Japan in 1992 and the record-setting levels topping \$11 billion for 1993. The September visit to the UN by Hosokawa and Foreign Minister Hata would affirm earlier Japanese commitments to that organization and the world.

Japan became more prominent in the UN. The UN High Commissioner for Refugees, Sadako Ogata, flew frequently to Cambodia, Iraq, and other crisis spots to survey international problems with the migration and mass movement of peoples. Indochina especially elicited support among the Japanese citizenry for moving toward more prominent UN roles. Japan gave \$1.9 million in humanitarian aid to the former Yugoslavia and \$15 million for famine relief to Somalia. Further, Japan considered future commitments to the Middle East, Bosnia, Africa, Latin America, and Russia, where Japanese interests are not directly at stake.

This past year Japanese diplomats remained firm about their territorial disputes with Russia. With the cold war over, Japanese and Russians sought to settle the question of the Soviet-occupied islands below the Kurile archipelago, which Japan argues had long been Japanese territories. After Soviet President Mikhail Gorbachev's 1991 visit to Tokyo, observers wondered about a direct swap of aid packages in return for two of the four disputed islands. In July 1992, Miyazawa secured the backing of the Group of Seven at a summit in Munich for his position demanding that Russia give back the islands, as Japan lawfully had sovereignty over them.

Russian President Boris Yeltsin, bowing to Sakhalin politicians and Russian parliamentarians who argued that further loss of territory would be a blow to national pride, abruptly canceled a long-planned visit to Japan in September 1992 but went to Tokyo later. Yeltsin was only grudgingly invited to the Group of Seven summit in Tokyo this July, and was coldly received in October after his violent crackdown on the renegade Russian parliament. Despite contributions pledged at the G7 meeting, Japanese aid to Russia will be limited by the territorial dispute, if not the doubts Japan's business community harbors about the long-term prospects for the Russian economy, considering the political situation. Russo-Japanese relations remain in stalemate.

Japan is poised to play a leading part in the Pacific Basin. Starting with careful diplomacy toward the Association of Southeast Asian Nations (ASEAN), Japan has supported the common positions of Asian countries. The movement toward regional organiza-

tions is a case in point. Since 1992 Japan has supported the government ministers meeting as the Asia-Pacific Economic Cooperation group, and the Pacific Economic Cooperation Conference, a forum for representatives from government, business, and academia; this year both groups established permanent secretariat offices in Singapore. Japanese backing for these seeks to increase economic cooperation in the region and initiate joint efforts to assure regional security; Japan is eager to move beyond bilateral relations with close neighbors and establish regional frameworks.

Japan supports the post-ministerial conferences of ASEAN to discuss security concerns. These talks after the meetings between ministers of the countries in the group are exploratory, and Japan remains committed to a security relationship with the United States. But the ASEAN meetings provide a new setting for regional actors to discuss differences over problems in Indochina and the Spratly Islands in the South China Sea, among other issues. In October Japan convened a meeting of ASEAN supported by the United States and Australia and attended by Hong Kong and South Korea on stopping the proliferation of weapons of mass destruction.

Toward China, Japan emphasizes favorable relations with its most populous neighbor. Japan was China's second-largest trading partner after Hong Kong, and China for the past several years has received more than \$100 million annually in Japanese foreign aid. Japan also anticipates a generational shift in Chinese leadership. In October 1992 the Japanese emperor, Akihito, traveled to China in an effort to improve Sino-Japanese relations. Accompanied by officials working on long-standing disputes about wartime responsibility, the China visit was criticized by a vocal right wing in Japan after the emperor expressed regret for the "Pacific War."

This June, a wedding in the imperial family focused attention on its members' roles in Japan. The family heard quite a lot, mainly from right-wing groups, about the partner chosen by Crown Prince Naruhito, the future national symbol of state. For his bride, Masako Owada, a 29-year-old diplomat educated at Harvard and Oxford, the wedding celebration continued a bureaucratic struggle, as well as marking a great personal change; in a struggle over influence, Owada's father, the top bureaucrat in the Ministry of Foreign Affairs, where his daughter also worked, had clashed with the tradition-bound Imperial Household Agency, particularly over the funeral of Emperor Hirohito. The celebration also saw a career woman accept traditional roles in her commitment to the crown prince, and her generation saw it as an acceptance of traditional roles by a modern career woman. Owada, in an intensely personal and

controversial article in the May 24 *Newsweek*,² was said to have overcome her reluctance to accept the prince's proposal after assurances from the Empress Michiko that a comfortable private life was possible for the imperial family.

FUTURE POLITICS

At year's end the Diet was poised to debate political reform and annual budget priorities. Japan remained in the most severe economic downturn it had experienced since the 1973 oil crisis. Hosokawa pressed forward with his goals for reform while holding together his broad coalition.

Under one possible scenario, the twin legislative battles over electoral reform and the annual budget bring on a crisis. If there is a deadlock and the schedule in December becomes tight, the coalition government may be forced to compromise on reform in order to pass the budget before the deadline. The result could be an early election and a new government for Japan.

A scenario in which electoral reform is deferred also holds the potential for conflict. If Hosokawa, along

with the influential Ichiro Ozawa, who engineered the coalition and now helps manage it, decide to defer reform, the government might last well into 1994. But citizens and opposing politicians will quickly remind leaders of the pledge to pass reform and of decisions on other critical matters that cannot be deferred. Ozawa may provoke crisis himself in order to pursue a second election and his vision of a new two-party system led by Shinseito and the Liberal Democrats.

Structural change encourages electoral reform. In domestic politics, a reformed system that combines new, medium-sized districts and proportional representation might restore public confidence. Yet merely changing the rules of the game will not create a Japanese government capable of moving forward in domestic and foreign policy. The structural changes at home mean a leaner economy and government austerity. The changes in the world at large force Japanese leaders to embrace their proclaimed activism. Countries throughout Asia, if not in Latin America, Africa, and elsewhere, expect that Japan will fulfill pledges to overcome the past and fulfill the promises that its diplomats suggest. The problem for politics and diplomacy is that the end of one-party dominance in 1993 has yet to reveal a new political order that provides leadership, reform, and international impact. ■

²Bill Powell, "The Reluctant Princess," *Newsweek*, May 24, 1993, pp. 28–31. Conservatives in Japan criticized the article because it applied a probing and revealing style of journalism to the imperial family.

Southeast Asia enters the post-cold war era economically prosperous and, in most of the region, on the road to democracy. These and the issues that may cloud the horizon—the emerging new security structures in the area and attempts to counter the “bloc-ization” of the global economy—are examined by Donald E. Weatherbee.

Southeast Asia's New Agenda

BY DONALD E. WEATHERBEE

Peace has broken out in Southeast Asia. The structural outlines of the region are now emerging and, not surprisingly, they show elements of both change and continuity in not only the new security environment but also in the region's political economies. The impact of the evolving Southeast Asian order has been felt differently in the six states of the Association of Southeast Asian Nations (ASEAN): Brunei, Indonesia, Malaysia, the Philippines, Thailand, and Singapore. The same holds true for the three Indochinese states (Vietnam, Cambodia, and Laos).

Actually the term Indochina is no longer a meaningful political concept in the sense of a Vietnamese-dominated subregion. Vietnam and Laos already have observer status in ASEAN, and it is expected that the new government of Cambodia will be quickly associated with the group. The sole barrier to the full incorporation of Vietnam into peaceful and cooperative relationships with its former enemies is the normalization of relations with the United States, which is still delayed by the uniquely bilateral issue of accounting for Americans missing in action from the Vietnam conflict. Only Myanmar (the former Burma) remains the exception to the pattern of widened regional integration.

For the first time in nearly half a century there is peace in the former Indochina. The implementation of the 1991 Cambodian peace accords by the United Nations Transitional Authority in Cambodia (UNTAC) was capped by an electoral process in 1993 that in the face of Khmer Rouge threats of disruption surprised most observers by the relatively low level of violence and high level of voter participation. A new government was formed in which power is shared by the two biggest winners in the election: Prince Norodom

Ranariddh's FUNCINPEC, which won 45.75 percent of the vote, and former Prime Minister Hun Sen's Cambodian People's party, which won 38.23 percent. Under the new democratic constitution Prince Norodom Sihanouk was restored to the throne as a constitutional monarch. His son Prince Ranariddh, was named first president and Hun Sen was designated second president. Although the Khmer Rouge can still create insecurity, the popular support of the elections, the international sanctions against the Khmer Rouge, as well as the Cambodian yearning for peace, suggest that finally the Communist guerrilla group may become marginalized.

In the Philippines, President Fidel Ramos has undertaken new political initiatives to end more than two decades of the Communist Party of the Philippines' New People's Army's insurgency. The NPA's “people's war” is the only remaining Communist threat to an ASEAN government. This year Ramos charged a National Unification Commission with the task of planning a comprehensive plan for national reconciliation that would offer a general amnesty as part of the peace process. Ramos's peace offensive comes as the NPA's military strength declines and the Philippine military's counterinsurgency campaign has become more effective. It also coincides with and perhaps seeks to exploit divisions over strategy and tactics in the Communist party's leadership.

The only other truly threatening domestic insurgent challenge to a Southeast Asian state is the continuing ethnic warfare in Myanmar's western and northwestern border regions. Here too the danger to the state now seems contained by a combination of aggressive government military tactics and the termination of foreign (Chinese and Thai) support for the guerrillas. Although organized ethnic revolt is still an irritant in other regional locales—for example Muslim separatists in South Thailand and West Papuan dissidents in Indonesia's Irian Jaya province—they are not serious security challenges to the integrity of the state.

Overlaying these general levels of domestic and regional peace is the new structure of great power

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relations in the region. For the first time since the end of World War II, regional interactions are free from the political and military penetrations and linkages that resulted from superpower conflict and strategic competition. Although there is still a United States military presence in Southeast Asia, the American security profile is much lower without the bases in the Philippines; for the countries of Southeast Asia, the future American security commitment to the region appears ambiguous.

Southeast Asia now perceives new opportunities for economic growth and development. At the same time, however, the region confronts new challenges and dangers. Internationally, the predictability of the United States-centered regional balance of power has been replaced by the uncertainties of Chinese and even Japanese intentions in the region. The export-oriented economic growth strategies of the ASEAN countries collide with the protectionist policies their major trading partners—the United States, Japan, and the European Community—are adopting. Domestically the social changes spawned by rapid economic growth have created new demands and interests (something that Vietnam will also eventually experience). Political discourse is being reconstituted as new groups such as labor unions and a host of cause-oriented nongovernment organizations spring up and insist on new agendas that broaden and redefine politics. As ASEAN reinvents itself to deal with its new insecurities in the international political and economic arena, governments in the region have to contend with the forces of democratization, demands for respect for human rights, grass-roots concern for environmental degradation, and other issues that are reflective of the globalization of the Southeast Asian political economies.

REGIONAL (IN)SECURITY

For the first quarter century of its existence, ASEAN denied that it was a security grouping. The organization's proclaimed purpose was economic cooperation. Yet the basic interest that associated these culturally and politically disparate states was security framed in terms of domestic anticommunism and after 1975, resistance to Soviet-backed Vietnamese regional aggression. The stimulus of a common threat promoted a climate in which political differences and antagonisms between members of the group were subordinated for the sake of cohesion and harmony. ASEAN became a "security community" in the sense that no member expected an armed threat from another member. The originally formless security orientation of the organization became more substantial at the first ASEAN summit meeting in Bali in 1976 with the "Declaration of ASEAN Concord" and a "Treaty of Amity and Cooperation in Southeast Asia" to which the Indochinese states also now adhere. The association functioned as an effective agency for mobilizing and

sustaining global opposition to the Vietnamese invasion and occupation of Cambodia between 1979 and 1989. It can be argued that the need to maintain solidarity on Cambodia provided the political cement for ASEAN since its programs for regional economic cooperation failed to yield results.

At a more instrumental level of security, the combination of perceived external threat and increased mutual confidence led to more intensive bilateral military cooperation between ASEAN members. True to its founding myth, defense-related activity was always said to be conducted outside of the group's formal structure. The expanded patterns of intra-ASEAN defense cooperation have led to speculation about the possible creation of an ASEAN "defense community." Despite the group's advocacy since 1971 of a Southeast Asian Zone of Peace, Freedom, and Neutrality, ASEAN members have continued to enjoy close military-security relations with the United States, and in the case of Malaysia and Singapore, also with Australia, New Zealand, and the United Kingdom under the Five Power Defense Arrangement. The withdrawal of United States forces from the Philippines in 1992 has been partially offset as other ASEAN members have granted the American military the use of facilities.

In light of the end of superpower conflict, the resolution of the Cambodian question, and Vietnam's changed behavior—the breaking out of peace—one might expect that ASEAN would feel more secure. In fact, the group still perceives a threatening regional security environment made even more dangerous by the changed role of the United States in the absence of a Soviet enemy and a United States security policy in the post-cold war era driven by budgets and value-oriented issues such as human rights rather than a realistic appraisal of common interests. Apprehension about China's intentions in the region dominates the thinking of ASEAN's security managers. The territorial dimension is China's overlapping claims of sovereignty and jurisdiction with ASEAN states (as well as Vietnam) in the South China Sea. The possible flashpoint is the Spratly Islands, under whose seabed rich oil and gas reserves are presumed to lie and where competition pits China against Vietnam, the Philippines, Malaysia, and Brunei. China has already demonstrated its willingness to use military force in the Spratlys, a force that will become more threatening as its naval and air capabilities continue to develop. There is no United States security commitment that covers conflict in the South China Sea and the announced United States policy of defending freedom of navigation but not taking sides in the jurisdictional questions is not reassuring to Southeast Asia.

There has been no "peace dividend" for ASEAN Southeast Asia. Paradoxically, as Vietnam has cut its military forces by hundreds of thousands of men and invested in "butter" not "guns," defense spending in

ASEAN has increased as armed forces in the region are modernized with the acquisition of high-performance combat aircraft and expanded naval capabilities. Perhaps triggered by the higher Chinese military profile in the South China Sea, there is also the desire not to fall behind a neighbor in defense preparedness. The escalatory dynamic has raised warnings about the consequences of an ASEAN arms race if with arms come new fears about intentions. A fillip has been added to the arms procurement scramble by Russia's eagerness to penetrate the market and the willingness of ASEAN leaders to buy from nontraditional suppliers. Malaysia was the first to make a major buy, agreeing to purchase 18 MiG-29M fighters. The Thai military is looking at a broad array of possible Russian military purchases. Russia faces the problem of introducing a different technology into countries familiar with United States and western European systems, but its prices are a bargain and for the ASEAN countries, having an alternative supplier is some insurance against the conditions placed on United States military sales.

The complexities of the new regional security environment have forced ASEAN leaders to address their common security interests explicitly and in a more structured manner. When the group's leaders met in Singapore in January 1992 in only their fourth summit, they issued a declaration based on a review "of the profound international political and economic changes that have occurred since the end of the cold war and...their implication for ASEAN." Breaking precedent, they declared that "ASEAN shall seek avenues to engage member states in new areas of cooperation in security matters." One such avenue is to carry the notion of "collective political defense" into the post-Cambodia era. The leaders also agreed to intensify ASEAN's political and security dialogues with "dialogue partners" through the ASEAN Post-Ministerial Conferences (PMC). At these conferences, which follow immediately after the annual foreign ministers' ASEAN ministerial meetings, the ASEAN ministers meet with their counterparts from the United States, Japan, Australia, Canada, New Zealand, South Korea, and the European Community.

Since the Singapore summit, in a process actively encouraged by Japan and only reluctantly agreed to by the United States, the limited PMC "dialogue" has been replaced by a more formal and inclusive "security forum." An initial session was held this May in Singapore preparatory to a more formal launching of the ASEAN Regional Security Forum at the July ministerial meeting of "dialogue partners" and delegates from Russia, China, Vietnam, Laos, and Papua New Guinea. The implicit model for the forum seems to be the Conference for Security and Cooperation in Europe. It remains to be seen what forms of "preventive diplomacy" can be carried out in the framework of the forum, or whether the new multilateral format will be

any more useful than existing channels in dealing with sensitive bilateral quarrels such as the United States-China spat over weapons proliferation.

Even if the operational future of the forum is unclear, the very existence of this new security structure is significant. ASEAN recognizes that its fortunes are partly tied to engaging China in a network of relationships through which China's interests are better served by peaceful cooperation than conflict. The forum thus is one more attempt to entangle China in common pursuits.

While trying to accommodate China in a wider network of relations, ASEAN worries that the new forum might provide the United States with another reason to decrease its presence in the region. It is not without some ambivalence then that ASEAN welcomed the change of United States heart on a Security Forum that would diplomatically arch over its existing "hub and spoke" Asian security system. For Japan, the principal proponent of the scheme, the forum provides a vehicle for it to assume a heightened political presence in the region but in a nonthreatening setting. It is also noteworthy that three of the five permanent members of the UN Security Council and a "candidate" permanent member, Japan, are members of the forum—an overlap signifying that East Asian security is coupled to global security.

TAKING THE ECONOMIC INITIATIVE

While the security of Southeast Asia has only recently become linked to global security, the region's economies are totally enmeshed in the global market system. The rapid economic growth of the ASEAN states has been founded on development strategies of the export-led growth Japan, South Korea, and Taiwan have used so successfully. Singapore is already an ASEAN "Newly Industrialized Economy" (NIE) and Thailand and Malaysia are approaching that status. Indonesia is moving in the same direction as its resource-based export economy shifts to manufactures. The Philippines seeks to regain the momentum it had 20 years ago. Even Vietnam has adopted ASEAN's growth strategy. The key to success has been access to investment funds and the markets of the industrialized societies.

Southeast Asia, however, sees threatening trends in the international economy. The goals of the European Community's Maastricht treaty and the proposed North American Free Trade Area (NAFTA) suggest a "blocization" of the world economy in which Southeast Asia will be shut out of its traditional markets. Domestic recessions and the economic restructuring of its major trading partners now justify economic nationalism and protectionist policies that would restrict ASEAN's access. Even without trading blocs and domestic restructurings, the Southeast Asian economies fear the effects of the collapse of the liberal trading regime that the

General Agreement on Tariffs and Trade (GATT) has until now warded off. GATT's future will be decided by Europe and the United States; it is beyond the control of ASEAN. The spillover of a United States–Japan trade war would also be beyond ASEAN control. All these indicators of a less benign international economy come at a time when ASEAN recognizes that it faces new competition from the dynamically developing Chinese economy.

What is in ASEAN's control is the regulation and stimulation of intra-ASEAN economic cooperation. Previous ASEAN efforts to regionalize growth have fallen far short of expectations. At the Singapore summit, the ASEAN leaders were determined to make a bold move to reinvigorate the ASEAN spirit of economic cooperation.¹ The core of the new initiative was the creation of an ASEAN Free Trade Area (AFTA). The goal of AFTA is to expand intra-ASEAN trade in manufactured items in the event of a more restrictive global market. ASEAN economies tend to be competitive rather than complementary and less than 20 percent of ASEAN's trade is intra-ASEAN; if Singapore were to be dropped from the calculation it would be even less. Under AFTA tariffs are scheduled to decrease over a 15-year period. The reductions, which began this January 1, will range from zero to five percent on ASEAN manufactured and processed goods. Goods in 15 "fast track" product categories will see tariffs decreased even faster. "Fast track" goods with tariffs higher than twenty percent will drop to the zero to five percent range in 10 years (2003), and those below twenty percent are to be in the lower range in seven years (2000).

The AFTA tariff agreement is hedged with qualifications and escape clauses that could allow domestic protectionist urges in ASEAN to thwart the scheme. Most obvious is the fact that a member's right to exclude items or categories of items is protected. The reluctance of some ASEAN members to implement in full good faith the commitment made at Singapore was apparent in the run-up to AFTA's inaugural date and in the months that have followed. The frustrated Malaysian trade minister warned in mid-1993 that unless other countries kept to the tariff-cutting schedules, Malaysia would slow its schedule down, noting that "so far there has been more rhetoric than action." Although some visionaries see AFTA as a major step toward an ASEAN common market, it is the case that, like in so many other ASEAN undertakings, words still speak louder than action. Even if greater strides toward lower tariffs are made over a wide assortment of items and categories of items in the years remaining on the tariff reduction calendar, doubts can be raised that AFTA

would significantly expand ASEAN trade unless a wrenching readjustment of the market orientations of ASEAN exporters were to occur. This would be the result of the closing of traditional markets. The net effect might be expanded intra-ASEAN trade but shrinking overall trade—not the stimulus to real economic growth that is sought.

Real economic growth through cooperation among ASEAN states has been made through investment strategies in which the different productive factors of national states are combined for mutual benefit. The model is the so-called "growth triangle" that links Singapore to Malaysia's Johore state and Indonesia's Riau archipelago. In the "growth triangle" Singapore's capital, technology, and management skills are joined to the land, labor, and natural resources of its less developed neighbors. The showpiece of the "triangle" are the industrial estates on Indonesia's Batam Island, just off Singapore. Triangle activities are also being carried out on Bintan, Karimun, and other islands as well. Certainly the growth triangle concept is economically rational in the way it maximizes resources. There are political dangers, however, if the payoffs for Singapore are greater than for the other sides of the triangle. Singapore cannot be seen as exploiting its hinterlands as it searches for resources it does not have itself. Moreover, the reciprocities of the triangle are not really "triangular" in that there is no Johore-Indonesia link. What the concept does is provide a political umbrella of multilateralism—what has been called a mini-ASEAN—for two separate bilateral relationships.

The growth triangle idea has proved to be attractive elsewhere in Southeast Asia. A northern growth triangle that would link North Sumatra in Indonesia, Malaysia's Penang, and south Thailand in industrial cooperation was formally agreed to by the three governments this July. Extending the geometric model, a "growth quadrangle" has been floated for Thailand, Laos, Cambodia, and Myanmar. Here, however, it is likely that the notion of "growth quadrangle" covers the existing manipulation of Thailand's one-sided advantage in resource exploitative activities in its weaker neighbors.

ASEAN is also involved in the patterns of wider Asian-Pacific regional economic cooperation and consultation. In 1989 ASEAN participated in the first ministerial meeting of the Asia-Pacific Economic Cooperation (APEC) forum. Initially hesitant to have the ASEAN voice muted in an intergovernment grouping dominated by the United States and Japan, ASEAN nevertheless has joined its "dialogue partners" (minus the European Community), and China, Taiwan, and Hong Kong in what ASEAN still considers to be a loosely structured consultative grouping. APEC's secretariat is headquartered in Singapore. APEC is GATT-based, but ASEAN still resists efforts to transform APEC into a regional trade and investment organization. Partly this

¹The discussion that follows draws on the author's "ASEAN and Evolving Patterns of Regionalism in Southeast Asia," *Asian Journal of Political Science*, vol. 1, no. 1 (June 1993), pp. 29–54, especially pp. 35–45.

is out of concern that the United States might use the group to press an agenda that would include labor conditions, environment, human rights, gender equity, and other issues including the chronic irritant of protecting intellectual property.

Not all ASEAN leaders are equally happy with ASEAN involvement in APEC. Malaysian Prime Minister Mahamad Mahathir has pressed forward since 1990 with his alternative vision of East Asian economic multilateralism. This would be an East Asian Economic Group (EAEG) centered on Japan that would be exclusively Asian, excluding North America, Australia, and New Zealand. Mahathir's strategy is to answer "bloc-ization"—the European Community and NAFTA—with a defensive East Asian bloc that would enhance ASEAN's bargaining power. The notion of APEC was unattractive to Japan, which still sees its interests as best served on the global level; understandably it was actively opposed by the United States and not particularly well received in ASEAN itself.

At the ASEAN Singapore summit the concept was downgraded to an East Asian Economic Caucus (EAEC), the institutional setting of which was left in a kind of limbo. Indonesia wanted it to be a caucus in APEC while Malaysia wanted it independent and outside that group. A compromise was reached at this year's ASEAN ministerial meeting that makes the EAEC a caucus in APEC but it will be managed by the ASEAN economic ministers meeting. Therefore direction will come from outside APEC. It is unclear how this will work in practice. The significance of the EAEC is what it might come to mean if Japan's and China's economic relations with Europe and North America seriously deteriorate.

The new ASEAN regional security forum and APEC have considerable overlapping membership. This overlap is likely to increase as new members such as Russia and eventually Vietnam are added to APEC. With an eye to the European historical process, is it fair to ask whether in these two organizations we have the embryo of a Pacific Rim Community? A major obstacle to such a community is the great differences in the political systems of the Western liberal democracies and the "hard" to "soft" authoritarian regimes that have been characteristic of Southeast Asian governments and are only now beginning to give way to domestic pressures for democratization.

THE ROADS TO DEMOCRACY

Rapid economic modernization has introduced into the domestic political arenas of Southeast Asia new issues, interests, and actors. In the ASEAN states especially what the social science theorists of the 1960s called the social and economic requisites for democracy seem to be evolving as societies become increasingly politically plural and economically differentiated. The emergence of domestic middle classes and indus-

trial workforces has required Southeast Asian governments to devise institutions to accommodate their demands or face challenge. As theory predicted, these "new classes" are not willing to settle only for economic gain, but want to share or at least have access to political power as well. Although Malaysian Prime Minister Mahathir can still see external pressure for democratic reform as a new form of Western imperialism, internal demands for democratization may prove to be more powerful in transforming the political systems than the old revolutionary doctrines of Marxism-Leninism-Maoism since it is associated with economic success, not failure.

In the Philippines, Corazon Aquino's "people's power" movement has become the *Epifanio de los Santos* revolution once the middle class saw its interests advanced through the toppling of the Marcos dictatorship. President Aquino's own administration was in many respects a programmatic failure, but the democratic spirit was nourished and she was able to transfer power to Fidel Ramos in June 1992 after a free electoral process. Significantly, even though President Ramos only received 23.5 percent of the popular vote in a seven-candidate contest, his right to govern is unquestioned. Ramos has eloquently defended the Philippines experience against Singapore's former Prime Minister Lee Kuan Yew's charge that "the exuberance of democracy leads to undisciplined and disorderly conditions which are inimical to development." The Philippine president concludes, on the contrary, that "without democracy, we cannot truly win development."

Thailand reinstated constitutional democratic government in 1992 in the aftermath of bloody confrontations between the military and pro-democracy demonstrators protesting the institutionalization of military rule. The military had seized power in April 1991, overthrowing an elected civilian government. After a year a new constitution guaranteeing future military dominance was forced on the country. Parliamentary elections were held and on April 7, 1992, the leader of the junta, General Suchinda Kraprayoon, was sworn in as the nonelected prime minister.

Massive opposition mounted in the streets of Bangkok. Thais from all walks of life demanded Suchinda's resignation. The middle class feared that growing civil strife would have a negative impact on Thailand's growth and prosperity. What one headline writer called the "mobile phone mob" took up the battle against military authoritarianism. In late May, after troops had fired into crowds, killing 300 protesters, the king intervened, forcing Suchinda's resignation. The discredited military withdrew to the barracks. A second interim government prepared for new national elections. These were held in September and had the highest voter turnout of Thailand's 19 national elections. The election was won by a coalition of

anti-military parties that formed a new government headed by a respected politician and committed democrat, Prime Minister Chuan Leekpai.

Democratic elections in Singapore, now partially out from under the towering shadow of Lee Kuan Yew, act as a check on the untrammelled legislative freedom of the People's Action party (PAP) that has dominated parliament and monopolized power since independence in 1965. In both the 1991 general election and the 1993 presidential election four out of ten voters cast opposition ballots. While certainly not repudiating the PAP, the voters seem to be signaling their willingness to entertain credible alternatives to the PAP through the free electoral system.

In Indonesia, the formal political institutions are still those of President Suharto's New Order government, reflecting a military conviction that political stability, interpreted as unchallenged authority, is a prerequisite to economic development. The very success of the country's development strategy has set in motion many of the same social transformations characteristic of NIES elsewhere in the region. The new subtext of the informal political dialogue is the possible coexistence of democracy and stability. The loosening of the constraints on political expression has occurred under the rubric of "openness" and the fostering of a climate in which, in President Suharto's own words, "We must no longer be afraid of the multifarious views and opinions expressed by the people."

The democratic spirit is being channeled through new institutions such as the influential Democracy Forum. Although President Suharto has just embarked upon his sixth five-year term, it is expected to be his last. The question of succession looms large. In the long run the greatest challenge to secular democracy in Indonesia may come not from the defenders of the status quo, but from the proponents of a greater Islamization of the state whose population is 87 percent nominally Muslim.

The major exceptions to the pattern of democratization are Vietnam and Myanmar, perhaps not coincidentally the two poorest of the major Southeast Asian states. We have in the former what might be called the Chinese model: an effort to liberalize the economy while maintaining monolithic political control in order to avoid the "Russian disease." The Myanmar military dictatorship remains intransigently antidemocratic. The widespread pro-democracy demonstrations in 1988, after nearly 30 years of military rule, were crushed with terrifying force. The junta was shocked in 1990 by the landslide victory of the democratic opposition in what the military had expected to be a predictably stage-managed show election. Its response was to ignore the results, force thousands of Burmese democrats into exile, and to imprison the undaunted opposition heroine Daw Aung San Suu Kyi. Awarded the Nobel Peace Prize in 1991, she remains in confinement today

despite worldwide pleas for her release. The military's political strategy now is to fashion a new constitutional framework that would legalize its continued dominance. This, of course, without the participation of the cowed, imprisoned, and scattered leaders of the democracy movement.

A NEW FOCUS ON HUMAN RIGHTS

Myanmar calls attention to another important item on Southeast Asia's modern political agenda: increasing international concerns for government respect for and protection of fundamental human rights. Although every Southeast Asian country can be counted a violator of human rights in at least some respect, the Myanmar regime is viewed as one of Asia's most egregious abusers of its own population. Attention was dramatically focused on Myanmar's record this February, when seven Nobel laureates met in Bangkok after being denied admission to Myanmar and called for a total arms embargo and the suspension of Myanmar from the UN. The United States and other Western democracies have put economic sanctions in place to buttress rhetorical pleas, but so far to little avail. In part, this is because of the unwillingness of many Asian states, including the ASEAN states, to go along. The ASEAN refusal to pressure Myanmar on the rights issue is partly economic. They want to do business with Myanmar—especially Thailand and Singapore. Furthermore, ASEAN recoils from the possible precedent that intervention in Myanmar's affairs may set. ASEAN's collective reluctance to act on Myanmar is justified in a sophisticated political argument that claims confrontational approaches that seek to isolate Myanmar through political and economic sanctions will be counterproductive. The ASEAN policy is one of "constructive engagement" that seeks to persuade the Myanmar government to change in the interest of development and full involvement in regional affairs.

The difference in the West's and ASEAN's approaches to the human rights problems in Myanmar reflect a deeper disagreement over the meanings and the priorities to be accorded "human rights" in national political life. In the West they are absolute, set down in the 1948 Universal Declaration of Human Rights. To most leaders in Southeast Asia the rights and obligations of an individual in a community must be placed in the context of the different economic, social, and cultural realities of different value systems in each country. Furthermore, it is argued, just as fundamental as civil and political rights is the right of people to be free from want, hunger, ignorance, and disease—freedoms to be acquired by economic development, which has as a precondition national stability. Opening the March 1993 Bangkok Asian regional meeting preparatory for the June UN World Conference on Human Rights, Thai Prime Minister Chuan Leekpai argued that human rights should be developed from within and not be

imposed from outside. This position was echoed in the Bangkok Declaration, which stated that human rights "must be considered in the context of international norm-setting, bearing in mind the significance of national and regional particularities and various historical, cultural and religious background," language taken up in part in the Vienna Declaration. The ASEAN states accept the "universality" of human rights but insist that they must be "situationally" implemented.

Southeast Asian states are particularly opposed to the idea of attaching conditions based on human rights practices to economic issues of trade and assistance. They insist that the expression and implementation of human rights is solely within the competence and responsibility of national governments and should be free of external political coercion. This, of course, helps to explain the ASEAN attitude towards Myanmar. However, with the disappearance of the constraints of the cold war, the West has more political latitude in applying conditions. In the United States, the Clinton administration has taken the most aggressive human rights stance since the Carter administration, openly wielding threats of embargo and denial of most favored nation trade status.

After Myanmar, the principal United States Southeast Asian human rights target is Indonesia. Ever since Indonesia's occupation and annexation of the former Portuguese colony of East Timor in 1975–1976, the international status and human rights conditions in what is now an Indonesian province have been a matter of international concern. Indonesia's Timor problem was inflamed by the so-called "Dili massacre" of November 12, 1991, when Indonesian troops in Dili, East Timor's capital, fired on a funeral procession that had turned into a pro-East Timor Liberation Front, anti-Indonesian political demonstration. Despite Jakarta's quick assignment of culpable negligence to the local military commanders, the incident prompted a renewed international demand for the removal of Indonesian troops from East Timor and an internationally supervised act of self-determination by the East Timorese people. The disparity between the light punishment meted out to a few soldiers and the severe sentences imposed on the Timorese "instigators" of the affair was offered as evidence of Indonesia's "oppression" of the East Timor population.

Both the United States and the countries of the European Community have now tied improvement in human rights in East Timor to the broader array of relations with Indonesia. In 1992 Indonesia angrily cut off its aid relationship with the Netherlands over Dutch prodding on East Timor. Similarly, faced with a United States arms embargo, Indonesia has warned of the larger impact this will have on the cooperative relationship that has developed between the United States and Indonesia. The United States refusal to allow the transfer of United States built F-5 fighter planes from

Jordan to Indonesia has particularly angered the Indonesians who do not accept linkage between security and domestic affairs. In the post-cold war era, Indonesia is as aware of alternative sources for high-technology weapons systems as its ASEAN partners.

THE ENVIRONMENT AT ISSUE

Rapid economic development in Southeast Asia has not been accomplished without social cost, environmental degradation, and plundered resources. The quality of life in the urban sprawls of Southeast Asia's major cities suffers from overcrowding, air pollution, inadequate water and sanitation, and other consequences of uncontrolled growth. The failure of infrastructure development to keep pace with demand is a widespread problem in the region, whether it is the regularity of electrical brown outs in Manila or Bangkok's interminable traffic gridlock. Only Singapore has been able to avoid infrastructure lag by forward planning and strategic investment. Elsewhere, already overburdened urban support systems are bedeviled by rampant and uncoordinated development projects that put housing estates next to toxic waste producers. The protection of basic regulatory codes for building or fire are absent, ignored, or corrupted often with disastrous and fatal results. This May, for example, 189 workers in Bangkok died when trapped in a fire that destroyed a toy factory that was in violation of the most rudimentary safety standards. A few months later a hotel in northeast Thailand collapsed with great loss of life under the weight of its illegally added upper floors. The solution to these kinds of problems will be found in enhanced legal and bureaucratic oversight and enforcement. Other issues are more deeply embedded in the fundamental tension between the needs of development and the conservation of human and natural resources.

An increasingly sensitive area has to do with compensation and use of land for large-scale development projects. The most obvious targets of opposition are dams built for hydroelectricity, flood control, and irrigation that involve the relocation of large numbers of villagers and the loss of agricultural land. In Indonesia the focus of protest was the Kedungombo dam in central Java that would have forced tens of thousands of people from fertile rice land to agriculturally inferior sites. Another project in the provinces of Riau and West Sumatra, the Kota Panjang dam, promises even greater dislocations. The government was forced to modify its plans for Kedungombo once the issue was taken up by local communities, activist groups, the press, and networks of interested NGOs. In Thailand first the Nam Choan dam and then the proposed Pak Moon dam crystalized the issue for donor nations and the World Bank when they were faced with the mobilized opposition of domestic and international environmental activist groups. As foreign

environmental activists put pressure on donors and lenders to withhold funding from environmentally unsound infrastructure projects, Southeast Asian developmentalists fume at the external interference and censure the domestic NGOs that are linked to them.

The extent of the environmental disaster that is shaping up can be measured in the loss of its forests of tropical hardwoods. The uncontrolled destruction of ecosystems throughout Southeast Asia, whether for agricultural diversification, infrastructure projects, or commercial logging impacts on biodiversity, affects climate, causes floods and landslides, and disrupts the lives of local populations. The pace of deforestation outdistances halting attempts to regulate and conserve. The problem of deforestation is severe in the Philippines and Indonesia, but it is the practices of Thailand and Malaysia that have come to symbolize to the world the worst features of the problem.

Thailand, whose forests have been cut down, has turned to the forest resources of Cambodia and Myanmar, not only hastening deforestation in the areas contiguous to the Thai border but putting money in the hands of the Khmer Rouge and Myanmar's military rulers. Malaysia's public image has suffered from the fact that the logging question has become entangled in

a human rights issue. Logging in Sarawak has pitted the rights of the indigenous aboriginal inhabitants, the Penan, against the government-sanctioned concessionaires. Prime Minister Mahathir, ASEAN's most outspoken opponent of foreign "green" intervention, sees the demand that forests be left to the Penans as the height of Western arrogance. It is not surprising that Malaysia was the most outspoken of the "South's" delegates to the June 1992 Earth Summit. Malaysia's position, which is widely shared, is that now that the West has developed and enjoys the wealth produced from its own resources, it should not expect the developing nations of Asia, Africa, and Latin America to forgo their opportunities.

On environmental issues, as on the other differences that distinguish the domestic policy positions of the ASEAN states from their liberal democratic friends, compromise has always been reached. But as ASEAN becomes more developed, as a new generation of leadership emerges confident in its abilities and its countries' future, the willingness to compromise, particularly where values are different, may not be as apparent. This will be a challenge not only for ASEAN but also for their security, economic, and political "dialogue partners." ■

Reunification of the Koreas, supposedly a sacred issue with leaders of both north and south, "has ceased to be the highest national priority. . . . The interests of the 10 million victims of the division of Korea are rarely taken seriously because they interfere with the [political] game."

The Two Koreas and the Unification Game

BY MANWOO LEE

With the end of the cold war, the international environment for Korean reunification has dramatically improved. The two Koreas should, therefore, be working earnestly toward this goal. But they are not doing so. The ideological antipathy between South Korea's liberal democracy and market economy and the *juche* (self-reliance) socialism of North Korea is entrenched. Seoul and Pyongyang's continuing rivalry over reunification—which for each is a euphemism for hegemony by their side—is a fact of life. Distrust and the psychological distance between the two groups of leaders militates against, if it does not entirely preclude, any chance of success at the negotiating table.

The inauguration in South Korea in February of a genuine civilian administration under President Kim Young Sam has not brought the north and south closer together. By any international standard the government in Seoul can no longer be termed "fascist," but relations with the north are no better than when the south was governed by authoritarian military regimes. If reunification is defined as the transfer of political authority from the two present governments to one central authority; single Korean representation in all international institutions; and the end of the risk of war between the two Koreas, then it is not likely anytime soon unless one side unexpectedly collapses.

ANIMOSITY AS A WAY OF LIFE

Both Koreas use the unification issue to serve their own security and other interests—although North Korea much more markedly so. Thus reunification, the rhetoric of urgency notwithstanding, has ceased to be

the highest national priority. Over the past five decades the two Koreas' commitment to hostility, reflected in both governments' structures and particularly in their various bureaucracies, has achieved what Miroslav Ninic, speaking of cold war superpower rivalry, called "the status of an elevated moral principle."

In South Korea, the Blue House (the Korean White House), the National Security Planning Agency, the police, the foreign and defense ministries, and the National Unification Board (another ministry) have all carved out privileged positions in the game of unification politics. These bureaucracies, though they vary in their approach to reunification, are extremely conservative and rigid in their attitude toward North Korea, and the political reward structure punishes anyone who attempts a different approach.

Of course the situation is even more discouraging in North Korea, where President and Great Leader Kim Il Sung and his eldest son and heir apparent Kim Jong Il have a monopoly on the unification game. The interests of the 10 million victims of the division of Korea are rarely taken seriously because they interfere with the game. Both Koreas have in actuality been oriented against reunification, and the reuniting of the country has been held hostage to the following forms of self-serving political maneuvering:

The legitimacy game. The division of the peninsula was tragic, but North Korea's persistent refusal to accept it as a reality has made the Korean problem more tragic than the division itself. North Korea's attitude has compelled each side to channel its political, economic, military, and diplomatic resources into causing pain and injury to the other. With *juche* as the basis for North Korea's claim that it is the morally superior authority on the Korean Peninsula, embodying Korean nationalism and beholden to no external power, Pyongyang has never ceased to attack the successive governments of the south for lacking legitimacy, and it has taken delight in exploiting tension between the South Korean government and the people of the south.

The former authoritarian leaders of the south, placed

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on the defensive, sought to overcome their inferiority complex by outpacing North Korea economically. Having accomplished this, South Korea claims to have defeated *juche*. Seoul's hosting of the 1986 Asian Games and the 1988 Olympics, the success of the policy that normalized relations between South Korea and China and the Soviet Union, and the recent inauguration of a legitimate civilian government have symbolized South Korea's victory-without-war over North Korea. In the south's own eyes at least, it has gained the upper hand in the legitimacy game.

The game of governing. In North Korea no one dares contradict Kim Il Sung's unification policy. Though in South Korea there are multiple players—radical dissidents, civic groups, and the public at large, in addition to the government—the National Security Law defines North Korea as an “anti-state organization” and imposes severe penalties on anyone who praises or sympathizes with the north. The victims of this law abound: the incarceration during the previous regime of Lim Soo Kyung (a student), Moon Ik Hwan (a clergyman), and Suh Kyung Won (an opposition member of the National Assembly), all of whom visited North Korea without the permission of the government in order to promote reunification, are three cases in point. Leaders of both Koreas have used the government's dominant position in the unification game to control and direct the political activities of their respective citizens.

The propaganda game. Proposals, schemes, gestures, and ideas on the subject of unification advanced by either of the Koreas tend to be ploys by which that system may strengthen itself. Each side is trapped by the necessity of treating reunification as a sacred issue and presenting itself as the prime mover behind the process. Kim Il Sung's 1980 unification plan, which sought to establish the Democratic Confederal Republic of Koryo; President Chun Doo Hwan's Unified Democratic Republic of Korea, proposed in 1981; and Roh Tae Woo's 1989 Korean Commonwealth formula all fall inside the realm of propaganda aimed at satisfying the domestic audience and the international community.

The liberation game. Though it appears that North Korea's systemic weaknesses and its recent loss of status in the world have compelled it to abandon revolutionary efforts to liberate South Korea, Pyongyang continues to encourage revolution in the south by siding with radical dissidents. In October 1992, South Koreans were shocked to learn that a North Korean female spy, ranked twenty-second in the north's power echelon, had lived for more than 10 years in Seoul, recruiting many South Koreans for a new chapter of the North Korean Communist party. Implicated in the incident were the opposition Democratic party and its presidential candidate, the dissident Kim Dae Jung, which affected the outcome of the presidential election

held in December. Though South Korea has been less successful in penetrating the north because of the tight control exercised by the regime, it hopes to open up North Korea by exposing it to “southern values”—the ultimate goal being the north's “liberation.”

The game of national security. Talks between the two Koreas have often stalled because of the north's persistent demand for the removal of United States troops and nuclear weapons from South Korea and its particular emphasis on discontinuation of the annual “Team Spirit” joint military exercises held by South Korean and American troops. Surrounded by hostile powers—South Korea, Japan, the United States, and, recently, Russia—North Korea has developed a siege mentality. Thus its insistence that reunification occur without foreign interference is rooted in its national security requirements rather than the principle of national reunification. The December 1991 accord between the two Koreas pledging reconciliation, nonaggression, cooperation, and exchanges was possible partly because South Korea's major concessions to the north included the removal of all nuclear weapons and the discontinuation of Team Spirit exercises. Since signing the accord, however, North Korea has refused to resolve the issue of whether or not it has a nuclear weapons development program; international inspectors still have not been allowed into the nuclear complex at Yongbyon, which remains shrouded in mystery. Team Spirit exercises resumed this year, and relations between the two Koreas again experienced a freeze. Without friends or allies and with its economy virtually in ruins, one can easily see how North Korean anxieties about survival would find expression in a program to develop nuclear arms.

The game of indoctrination and mobilization. Both Koreas have preferred indoctrination to education when it comes to what they tell their citizens about the situation on the Korean Peninsula. South Korea's continuing campaigns against North Korea and communism have led to serious confrontations between the South Korean government and the South Korean people. North Korea purposefully exploits this tension and exults in the parades, rituals, and other ceremonies of a mass movement that glorifies Kim Il Sung and Kim Jong Il and denigrates South Korea. The history of the past five decades in both Koreas shows two systems desperately trying to mold their respective citizens so as to ensure the preservation of the two separate states, despite their claim that unification is the supreme national task.

THE RIGHT AND LEFT WAYS TO REUNIFY

Democratization in South Korea first took off with the presidency of Roh Tae Woo, who served between 1988 and 1993. During his term in office Roh faced a serious challenge from dissident forces, known as the *jaeya*, that were made up of those who had opposed the

earlier military regimes of Park Chung Hee and Chun Doo Hwan. Having forced Chun to accept democratic reforms in the summer of 1987, the *jaeya* pressured the newly inaugurated Roh government to improve relations with North Korea. Roh responded to the shifting mood of the nation and began to play a different game, not only to hold onto power but also to bolster his regime's progressive image; thus there was a definite correlation between democratization and the government's sudden show of interest in promoting reunification. The president hurriedly produced a declaration calling for normalization of relations between the two Koreas; in it, Roh proclaimed that North Korea should no longer be regarded as an enemy and called on South Korea's allies to improve relations with the north.

But the policy went against the south's long-standing anti-communism—not to mention the National Security Law—and many conservatives felt this endangered national identity, if not national security. Thus Roh ended up alienating the bulk of his conservative constituency. The new president was also shocked to discover that radical students, on the pretext of promoting reunification, were working to undermine the government. Fearing North Korean efforts to pit the students against their government, Roh repeatedly denied students' requests that they be granted permission to travel to the north. Several students, however, managed to reach North Korea, and radicals on university campuses seriously tested the declaration's announced intentions toward the north. The president ended up suspect in the eyes of both right and left.

By 1989 Roh divided South Koreans into just two groups—conservatives and radical leftists. Reviving the much-dreaded joint investigation agencies administered by the National Security Planning Agency, the Military Security Command, the police, and the national prosecutor's office, Roh had prominent dissidents who tried to contact North Korea jailed. Opposition leaders, including Kim Young Sam, later to be president of South Korea, became disorganized and distanced themselves from *jaeya* forces. Gaining the upper hand in the confrontation between the right and left—thanks to the dissidents' unauthorized visits to the north—Roh developed his own formula for unification, the Korean National Commonwealth, to counter the north's Democratic Confederal plan. Both in spirit and in substance, Roh's unification formula was not that different from former President Park Chung Hee's unification policy of the 1970s, which had called for peace first and reunification later. Park's successor, Chun, had also proposed a unification formula based on the normalization of relations between the two Koreas. Roh's formula, however, accentuated the importance of having several stages in the reunification process.

In 1990 South Koreans watched emotionally as

West Germany absorbed East Germany, thinking that the two Koreas would also be united soon. But, sobered by the staggering costs of German reunification, the Roh regime as well as the public had second thoughts about a hasty reunion. Talk of reunification with the south absorbing the north abruptly ceased. Thus unification has become less a moral imperative than a practical problem of economics. South Koreans have since begun to talk more about taking care of their internal problems and gaining greater confidence at home.

SOUTH KOREA: THE NEW SELF-CRITICISM

Nowadays South Koreans are extremely critical of themselves and South Korea—a sign that the nation is becoming mature. There is a significant gap between the way foreigners see Korea and the way Koreans do. In January 1992 United States President George Bush told the National Assembly, "South Korea is at peace, free, and prosperous," but this is not a view those who live there share. Throughout the south people are increasingly apprehensive about domestic political, economic, and social troubles.

During the presidential election last December all the major candidates promised to do something about South Korea's maladies. Kim Young Sam, the ruling party's candidate, promised to cure what he called "the Korean disease"—the rampant corruption and irregularities in politics, the bureaucracies, educational institutions, the mass media, the military, religious groups, and business enterprises that poison the entire society. The Roh government also had to function in a climate of pervasive distrust between politicians and the people. It faced the breakdown of social and ethical norms, class and generational conflict, and a sagging economy. These domestic problems, which all of Kim Young Sam's reforms since his inauguration in February are still far from solving, have raised many questions in the minds of South Koreans—not least about whether South Korea could actually absorb North Korea if the north collapsed.

South Korea is no longer one of the robust Asian "tigers." It now has a "one-two-three" economy, struggling against the "three highs" and the "four shortages." One is for single-digit growth; two, for double-digit inflation; and three, for a triple-digit deficit. The three highs refer to high wages, high interest rates, and high exchange rates for the won. The four shortages are in the areas of manpower, funds, technology, and social infrastructure. These factors have been responsible for soaring prices, sagging exports, and a growing balance of payment deficit.

After the swearing-in February 25 of the first genuine civilian government in 32 years, President Kim launched a major assault on politics as it had been practiced in South Korea. Since Kim took office, nearly 3,000 government officials, military officers, politicians, busi-

nesspeople, and journalists have been fired, arrested, or imprisoned. Though Kim's popularity during his first six months in office was high, the reform drive was not progressing smoothly. If the old Korean system was a machine, corruption and irregularities were its fuel and lubricant; with these banned from the system, the machine has stalled.

The Kim regime is at a loss, not knowing what new oil to put into the machine. One Blue House official confided to this author that "the machine really has stopped. This is a major dilemma." Government officials lie low, afraid of being caught in shady transactions. Deprived of their usual access to the bureaucracy and political power centers, businesspeople are bewildered, not knowing how to improve their firms. Hoping to place the economy on a solid basis for the long term, on August 12 Kim dropped a bombshell, announcing that in the future all financial transactions would have to be conducted on a "real-name" basis (the established way of conducting them, under assumed or others' names, was a major method for engaging in corruption while covering one's tracks). The impact on politics, the economy, and society will be revolutionary.

Setting aside domestic difficulties, President Kim has not been successful in his dealings with North Korea. His appointment of sociology professor and former dissident Han Wan Sang as head of the National Unification Board is viewed by conservatives in the south as dangerously naive. In a gesture designed to lure the north to the negotiating table, Han in March announced the repatriation of Li In Mo, a North Korean guerrilla captured in 1952; the case had been a major point of contention between the two Koreas. Two days later, on March 12, North Korea announced it would withdraw from the nuclear Non-Proliferation Treaty (though it reversed this decision in June after talks with the United States). The unresolved North Korean nuclear issue has frozen all inter-Korean transactions. Hard-liners in the south were scathing in their attacks on Han and his apparent belief that a humanitarian concession would modify North Korean behavior.

There is no consensus in South Korea on how to deal with the north. Right-wing groups, many of whose members lived through the Korean War, cling to hard-line policies, insisting the end of the cold war has not changed Pyongyang. They believe that radical left-wing groups, made up mostly of students and young dissidents born after the war, maintain a close ideological affinity with North Korean Communists. Now out of power, rightists are extremely unhappy with what they see as Han's soft approach to North Korea.

The radical left wing, numerically small and with waning influence, contends that the root cause of the present mess in the south was the division of Korea by

the United States—which, leftists say, led to South Korea's dependence on the United States to guarantee its security, to dictatorship, and to exploitation of the people. If these problems are to be overcome reunification must be hastened, and the main force behind the drive should be the people, not the government. The radical leftists exchange faxes with North Korean students, sing North Korean songs, and wave North Korean flags on campuses.

Moderates, perhaps the largest group in South Korea, reject both extremes. In their view the most important step toward reunification would be to begin exchanges and contacts between the people of the north and the south, but improving inter-Korean relations is for them less pressing than dealing with South Korea's domestic problems. In a survey published in the March 3 *Korea Herald*, only 4 percent of respondents said reunification was an urgent matter.

NORTH KOREA: CHANGE PERPETUALLY DEFERRED

Kim Il Sung has always considered the security of his regime the top national priority. His unification game has entailed a two-track policy: one to drive United States troops out of South Korea by luring southern authorities into high-level contacts, and the other to create instability in South Korea in order to unify the peninsula on Kim's terms. But changes in the world and in South Korea have been extremely inhospitable to Kim's dream. The ever-widening economic gap between the two Koreas—the gross national product of South Korea is now almost ten times as large as the north's—does not bode well for the survival of the North Korean system in the long run.

Once upon a time Kim's system was secure, but this may no longer be true. That the system remains in place is due to three factors. First, civil society in the north is so primitive it is not even conscious of the need to challenge Kim's rule. Second, South Korea, largely due to its domestic difficulties, has no desire to topple the North Korean system and hasten reunification. Finally, major surrounding powers do not want any trouble on the Korean Peninsula.

Kim Il Sung has been grooming his son as his successor since the early 1970s. The hyperbolic treatment of Kim Jong Il in the North Korean mass media gives the distinct impression that the succession is nearly complete. Kim Il Sung, without seeming to realize that his designation of his son as heir has been very costly and that much of North Korea's inflexibility and isolation results from this decision, recently acknowledged that his son is in charge of the three ruling bodies—the party, the government, and the military. Kim Jong Il was named supreme commander of the military in December 1991 and leader of the party and the army in March 1992. The title of marshal was conferred on him the next month, and he is now also being called "Great Leader"—a designation previously

reserved for his father. Kim Il Sung's four-year term expires in April 1994, when Kim Jong Il will be 52. He will likely assume his father's position then, barring unforeseen circumstances; at the moment, he has no visible political rival.

The younger Kim has been portrayed as the chief interpreter, arbiter, and high priest of the party's *juche* ideology and the perpetuator of his father's vision for Korea. North Korea under the Kim dynasty has no choice but to defend its system, even though that system's rigidity, now approaching petrification, leaves little room for any reforms. North Korea is not ready to admit that its revolution or its socialist experiment has failed. Thus its isolation is not a matter of simple choice, but rather a necessity for the short-term survival of the regime. The Kims and their circle must reassure the party faithful and the other North Koreans by eternally maintaining that their system is infinitely superior to Seoul's "bourgeois fascist" one. They also feel they must gain the upper hand in relations with the south, the management of which is also crucial to the system's survival.

Yon Hyong Muk, North Korea's chief delegate to the talks begun by the prime ministers of both Koreas in September 1990 and who has advocated the opening of his country, was dismissed at the end of last year, and hard-liners assumed the management of inter-Korean relations. These hard-liners, who heartily distrust the South Korean authorities, the United States, Japan, and the International Atomic Energy Agency, are unhappy with "the failure on the part of the more conciliatory groups to produce any meaningful results beneficial to North Korea from its negotiations with the South and other capitalist countries."¹

North Korea has been playing the nuclear card, sometimes primarily for the benefit of its domestic audience, as opposed to the more usual foreign one. Setting aside its strategic value, if any, the card has positive political value for the North Korean regime as it endeavors to remain in power. For one thing, it has induced the United States to enter into a dialogue, with the result that North Korea is seen engaged in important exchanges with world powers. The nuclear card is also used to get the people of the north to believe hostile imperialists are interfering with and attempting to subvert North Korea; the regime can then stir up nationalist sentiment and mobilize the populace.

The nuclear card may be useful for the regime's political purposes, but at the same time it is a Catch-22. As long as Pyongyang holds the card, it

cannot hope to improve relations with South Korea, Japan, and the United States. But if it gives up the card, hard-liners feel that their country would lose prestige and political advantage and face implementation of the 1991 nonaggression agreement—which in turn might pave the way for North Korea's demise.

Perhaps the north's system can survive a few more years or even another decade; a clear distinction between political society (the army, the police, bureaucracy) and civil society (the media, trade unions, religious groups, schools) must emerge in North Korea before genuine transformation can occur. True, there may be limited, intermittent riots in the north, possibly due to the regime's economic failures, but these will give the rulers an excuse to crack down. Two conditions are necessary for a meaningful change of regime: the spread of new values such as liberalism and democracy, a market economy, and respect for human rights among elites, and the loss of the will to rule on the part of the old elites. These conditions do not exist in North Korea today.

TWO VERY DIFFERENT TRANSITIONS

Though the two Koreas have undergone vastly different economic, political, and social development, they are both now living through the end of one era and the beginning of another. In the south reforms are carried out by the will of Kim Young Sam, who believes the nation must institute the reforms on a permanent basis in order to build a "New Korea." It appears, however, that the will of the president alone is insufficient to accomplish this. On the other side of the 38th parallel, North Korea is in the midst of a wrenching transition.

The change required in the north is far more difficult than that confronting the south. The competition between the two Koreas is practically over, although, having lost what leverage it once had and with its future so uncertain, North Korea may hang on to its nuclear program. Thanks to South Korea's genuine desire to coexist with the north for the time being, North Korea may continue on its present path for a few years more. But the north will eventually give up its liberation strategy. Its system may be transformed from totalitarian to authoritarian, and it will try to improve its economy along the lines of the Chinese model while avoiding "dangerous" contact with the south.

As for reunification, the desire for it on the Korean Peninsula may have been exaggerated, and what desire there is may further slacken with time. The ambitions of leadership groups north and south, and their internal problems, may outweigh the nostalgic yearning for a reunited Korea. ■

¹See Dae Sook Suh, "North Korea: The Present and the Future," *The Korean Journal of Defense Analysis*, vol. 5, no. 1 (Summer 1993), pp. 62, 69, and 70.

"[India's] most significant achievement since independence has been to demonstrate that democracy can survive in a poverty-stricken nation," says Sumit Ganguly. But "[n]ot since the sanguinary days of independence and the 1947 partition that created Pakistan has Indian society been so polarized."

India: Charting a New Course?

BY SUMIT GANGULY

The specter of irrelevance in the emerging world order haunts the Indian state. Mainly because of flawed and short-sighted policies, the country is besieged by a legion of problems, none of them easily solved. With the end of the cold war, many of the familiar moorings of India's foreign policy have been sundered. The nation finds itself adrift. If India is to play a role commensurate with its size and economic potential, its leaders will have to demonstrate considerable dexterity in tackling the new challenges on the domestic front and abroad. Failure to do so may well result in India's permanent relegation to the status of a crippled giant.

SECULARISM AND ITS DISCONTENTS

Not since the sanguinary days of independence and the 1947 partition that created Pakistan has Indian society been so polarized. The emergent division along religious lines poses an extremely significant challenge to the secularism on which the modern Indian state was founded.

Relations between the dominant Hindu community, which makes up nearly 80 percent of the population, and the largest minority group, the Muslims, who make up more than 11 percent, are arguably at their lowest ebb in the post-independence era. Hindu-Muslim animosity is not simply a function of "ancient hatreds" with deep atavistic roots, nor is it a purely "modern hate."¹ Relations between the two communities have oscillated over the centuries between har-

mony and unremitting conflict. Harmonious periods have given rise to syncretistic movements such as Sufism. Religious fanaticism—as during the rule of the Muslim Mughal Emperor Aurangzeb, for example—has bred outright oppression and violent iconoclasm. The recent recrudescence of Hindu-Muslim violence stems from the attempts of various political parties, the right-wing Hindu revivalist Bharatiya Janata party (BJP) in particular, to exploit the historical record for short-term political ends.

Why is religious affiliation, a specific facet of ethnic identity, suddenly coming to the fore in India? Oddly enough, it can be argued that the spate of violence is an indicator of the success of Indian democracy. Because of the continued if fitful extension of the franchise, long-quiescent minorities are beginning to demand and claim their rightful privileges in society. The expansion of educational and employment opportunities through "positive discrimination" (affirmative action) programs has significantly improved the lot of segments of minority communities. The increased assertiveness and the slowly improving socioeconomic status of minorities have sown misgivings among many in India's dominant group. More than any other party, the BJP has sought to play on the fears and anxieties these developments have aroused among the Hindu majority, whipping up communal hatred and fomenting bloody conflict.

Party ideologues have deftly directed their ire against some of the real and perceived shortcomings of Indian secularism—which the BJP calls pseudosecularism. It points to the example of the government's handling of the Shah Bano case. In 1986 the Indian Supreme Court upheld a lower court that had directed that alimony be paid to a divorced, indigent Muslim woman, Shah Bano. The ruling contravened Muslim personal law (Shariah), which does not require the payment of alimony. Faced with an outcry from the more conservative Muslim clergy and some Muslim politicians, the governing Congress party of Prime Minister Rajiv Gandhi overturned the Supreme Court decision through an act of parliament. Gandhi's energy minister, Arif

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¹The term comes from Suzanne Hoeber Rudolph and Lloyd Rudolph, "Modern Hate," *The New Republic*, March 22, 1993, pp. 24–29.

Mohammed Khan, a Muslim, resigned in protest, charging the party with focusing on the political arithmetic of the conservative Muslim vote.

More recently, the abject failure of the government under Prime Minister P. V. Narasimha Rao to prevent the destruction of the Babri Masjid, a fourteenth-century mosque in the town of Ayodhya in the northern state of Uttar Pradesh, demonstrated the erosion of the state's commitment to the secular ideal. On December 6, 1992, members of two of the BJP's more militant associates, the grass-roots groups Vishwa Hindu Parishad and Rashtriya Swayam Sevak, attacked and destroyed the mosque (which had long been in a state of desuetude). The ostensible reason for the attack was that the mosque had been built on the ruins of an ancient temple that consecrated the putative birthplace of Lord Rama, one of the principal gods of the Hindu pantheon; according to BJP ideologues, the mosque had been constructed after the wanton destruction of the temple during Muslim rule.

Nothing can exculpate the BJP for allowing its associates to call for the mosque's demolition, which inspired militant Hindus to destroy it, but the political background of the conflict must be understood. The site has been a source of contention throughout the twentieth century. In December 1949, Hindu activists broke into the mosque and placed two icons of Lord Rama inside. Excited by the notion that Lord Rama had returned to his birthplace, crowds began flocking to the area. The local authorities, whose sympathies lay with the activists, refused to remove the icons, despite explicit instructions from Uttar Pradesh government officials. Both Hindu and Muslim groups then filed suit to obtain rights of worship at the shrine.

The inordinately slow pace of the Indian judicial system, coupled with the intractable character of the dispute, bottled up the problem for well over 30 years. In 1984, however, the Vishwa Hindu Parishad revived the issue when it organized a procession to Ayodhya. It is widely held that Congress party stalwart Arun Nehru, in an attempt to undercut the BJP, put pressure on a local judge to open the site to public worship. When this was done in February 1986, sectarian rioting ensued. At this point the Vishwa Hindu Parishad openly called for the destruction of the mosque. The Babri Masjid Action Committee, an organization of Muslim politicians and activists, responded by demanding the removal of the icons and the opening of the mosque for prayers. Blatantly courting the Hindu vote, Gandhi hinted during the 1989 election campaign that he was sympathetic to the militant Hindus' case. The stage was set for a confrontation that culminated in the events in Ayodhya and subsequent Hindu-Muslim violence in other Indian cities early last December. At least 1,200 people were killed and 4,000 wounded—most of them Muslims.

What Myron Weiner in his 1962 book on India

called "the politics of scarcity" has also enabled Bharatiya Janata to broaden its political base. Economic modernization in the country has created more opportunities and resulted in increased social mobility. But this expansion has not been commensurate with growing demands for political participation and economic advancement; indeed, India's institutional capacity for dealing with these demands has been stretched to the breaking point. Consequently the BJP once again has been able to channel the frustrations of the Hindu population, now highly politically mobilized, against the "pampering" of minorities who allegedly have benefited disproportionately from the government's largess.

The rise of a group like Bharatiya Janata that proclaims an antisecularist manifesto is not a uniquely Indian phenomenon. In recent years what appears to be a global challenge to the secular state has emerged. The resurgence of ethnoreligious sentiment has gone against the expectations of both Marxian and Weberian social science, which had contended that the forces of modernization would efface ethnic identities. If anything, the reverse now appears to be the case—far from erasing ethnic differences, the dislocating effects of modernization seem to reinforce them. Anxious lest they lose their identity and become subsumed in the homogenized masses, members of ethnic groups often come together and seek to establish ethnic solidarity as a source of solace and belonging.

THE KASHMIR CONUNDRUM

The Bharatiya Janata party's antisecularist ideology has made it even more difficult for Prime Minister Rao's weak and ineffectual government to come to grips with a number of compelling problems facing the Indian state. One of the most intractable of these is the ethnically based insurgency in the Muslim-dominated Kashmir Valley in the northwestern state of Jammu and Kashmir. Despite applying considerable force over the past four years, the Indian government has not been able to quell the rebellion.

A range of insurgent groups currently operate in the province, covering an ideological spectrum from the fundamentalist Hizb-ul-Mujahideen, which wants union with Pakistan, to the notionally secular Jammu and Kashmir Liberation Front, which favors independence, to militants who would be happy with a modicum of autonomy for the province. The insurgency has no central command, and the various militant groups are sometimes at cross purposes. It is widely believed that the Hizb-ul-Mujahideen has received substantial material support from both official and private sources in Pakistan. Recent press reports in India suggest that a sizable number of Afghan mujahideen have also joined the insurgents. All the militant groups are well armed and enjoy varying degrees of support from the local population.

The government estimates the total number of deaths in Kashmir since the beginning of the insurgency at around 6,000; private sources put the figure at somewhere between 7,500 and 10,000 dead. The harsh counterinsurgency tactics employed until recently by paramilitary forces operating under the Home Ministry—including wanton killings, deaths of detainees in custody, and the occasional use of torture—have further alienated ordinary Kashmiris (although the government has now replaced paramilitary units with two regular army battalions and has taken steps to punish those engaged in rampant violations of human rights in Kashmir).

An examination of the origins and evolution of the insurgency provides considerable insight into the decline of political institutions in India in the face of widespread political mobilization. Kashmir's special status is enshrined in Article 370 of the Indian constitution. Among its many provisions, the article prohibits non-Kashmiris from purchasing immovable property in the state—with the obvious purpose of preventing non-Muslims from migrating to and permanently settling in Kashmir, thereby altering its demographic composition (Muslims form the majority population). Throughout a succession of governments in New Delhi, this central provision of Article 370 has been kept intact. However, unlike the rest of India, where most elections, whether state or national, have been largely free and fair, a number of national governments have engaged in electoral fraud and abuse in Kashmir. Political skulduggery has marked virtually every election in the state, made possible by the political quiescence of several generations of Kashmiris. But by the late 1980s a new generation had emerged in Kashmir—one that had benefited from increased education and greater exposure to the media and thus was far more politically aware.² Specific circumstances dovetailed with this general background to give rise to the insurgency.

The politics of Kashmir gave rise to the forces that finally opened the swelling reservoir of discontent. The Kashmir National Conference has dominated the political scene since 1947. Sheik Mohammed Abdullah, the party's founder, was incarcerated several times after exciting the wrath of the central government. In 1975 Prime Minister Indira Gandhi reinstated him as chief minister of the state in return for a series of political compromises. In 1982 Abdullah passed on his mantle to his son, Faroukh Abdullah, a political neophyte who had been a practicing physician in Britain. The son not

only lacked his father's stature and political instincts but was also perceived as venal and incompetent. In 1984 Rajiv Gandhi's government dismissed Faroukh Abdullah's government on grounds of mismanagement and corruption. There may well have been ample evidence of both, but given the low standard of probity the central government had long tolerated in Kashmir, such failings could hardly be deemed exceptional. Two years later the same national government decided to forge an alliance of convenience with the deposed leader and recall him to office. This had the effect of reducing Faroukh Abdullah to a mere stalking-horse for the Congress party in Kashmir.

Both the dismissal and the reinstatement had an alienating effect on the new generation of Kashmiris. They correctly deduced that the Congress party government in New Delhi had little or no regard for democratic procedures and niceties when it came to its attempt to obtain a toehold in the state's politics. But despite the Indian government's rank opportunism, the mounting sense of injustice in Kashmir might never have taken a violent turn had it not been for the 1987 elections. During this state-level contest, the Congress party, in concert with the Kashmir National Conference, systematically engaged in widespread electoral abuses, mainly to keep the opposition Muslim United Front from obtaining a substantial share of the vote. With the last avenue for the expression of political discontent effectively blocked, significant numbers of young Kashmiris turned to violence.

Apologists for the Indian government are at pains to point out that the insurgency would not have started up without Pakistani interference. Pakistan's role in aiding and abetting the insurgency is undeniable, but the Congress party government's actions encouraged external involvement. After all, between 1972 and 1989 separatist sentiment in Kashmir lay completely dormant, and no amount of Pakistani instigation shook Kashmiri loyalty to the Indian state.

The situation in Kashmir continues to simmer. For much of 1993 internal government squabbling has limited the ability of national policymakers to formulate a coherent strategy to deal with the conflict. Union Home Minister S. B. Chavan (who is in charge of maintaining domestic order and overseeing police, paramilitary forces, and prisons, among other things), has been at odds with the minister for internal security, Rajesh Pilot; though unable to conceive of any alternative course, Chavan has resented the junior minister's attempts to start a political dialogue with some of the militant groups. In September an Indian government initiative to rekindle the political process in Kashmir sent a group of prominent journalists, senior retired army officers, and administrators to the state to assess the people's grievances and discuss the possibility of a political dialogue with the insurgents, but the outcome is still extremely problematic. With divided counsel at

²For an extended discussion of Kashmir's special status and its integration into the Indian Union, see Sumit Ganguly, *The Origins of War in South Asia: The Indo-Pakistani Conflicts since 1947* (Boulder, Colo.: Westview, 1993). On electoral irregularities, see Ganguly, "Avoiding War in Kashmir," *Foreign Affairs*, vol. 89 no. 5 (Winter 1990–1991).

the highest quarters, bureaucrats in the Home Ministry in New Delhi and in Srinagar, the capital of Kashmir, have been given little useful guidance. The status quo prevails, with its heavy reliance on various paramilitary forces and the Indian army to maintain a semblance of civil order.

Bharatiya Janata's intransigence has also made the government less willing to take bold steps—such as declaring an amnesty for the insurgents in preparation for meaningful negotiations on Kashmir. It is to the government's credit that it has steadfastly refused to acquiesce to the BJP's repeated demand that it revoke Article 370.

Finally, the present minority government desperately wants to ensure its own survival, and a great deal of political capital and energy are being consumed to that end. In late July the government narrowly survived a no-confidence vote in parliament. The Communist Party of India gave three main reasons for introducing the motion: the government's willingness to accede to the demands of the World Bank and the International Monetary Fund on economic restructuring, its propensity to consort with sectarian forces, and the "all pervading corruption" in its ranks. The final charge stems largely from the accusations of Harshad Mehta, a Bombay stockbroker who has been indicted in the largest stock market scandal in India's history. Mehta has contended that in 1991 he gave the equivalent of \$371,000 to Prime Minister Rao as a form of "political insurance." The government, as might be expected, has denied the allegation and sought to refute it; whether or not the incident actually took place, dealing with the political fallout has proved to be a major distraction.

A COLD WAR WORLD DESTROYED

The Indian government's troubles are not confined to the domestic front. The end of the cold war has left India in a singularly unenviable position. Its long-standing quasi alliance with the Soviet Union has abruptly come to a close; clearly Russia is not impelled by the strategic imperatives that cemented the Indo-Soviet relationship. An array of benefits has been canceled. India can no longer rely on the support of a veto-wielding superpower in the United Nations Security Council on the crucial Kashmir question, and it has also lost its principal supplier of a panoply of advanced weaponry, and at highly concessionary rates. This has been a blow to the Indian armed forces, since much of their equipment is of Soviet origin. The paucity of spare parts and supplies, coupled with Russian insistence on payment in hard currency and India's tightened budget, has affected battle-readiness as well.

The changed situation has forced India to try to improve relations with China. This project, first undertaken during Rajiv Gandhi's tenure in office, has now taken on new urgency. India's desire for good relations

with the People's Republic extends beyond the loss of Soviet protection. The 1962 war with China over the northern Himalayan border was a rout for the Indian military. Today the Indian forces along the Sino-Indian border are better prepared and better equipped than ever before. But India has had to reduce deployments in the Himalayas and assign the troops to various internal security duties, and these commitments are unlikely to diminish markedly in the foreseeable future. Thus maintenance of good relations with China—and the avoidance of border clashes especially—has taken on particular importance. In addition, India has sought to improve relations with the United States and the western European nations, albeit in a fitful and grudging fashion.

A second broad foreign policy consequence of the cold war's end involves the Nonaligned Movement, which India, under the leadership of Prime Minister Jawaharlal Nehru, helped found. With the cold war's demise the movement has lost all meaning. Old habits, however, do tend to die hard. Some Indian proponents of nonalignment are desperately attempting to breathe new life into this now moribund concept. One of their arguments holds that nonalignment ensures a state's ability to maintain an independent stance in the conduct of its foreign policy. This contention is entirely unexceptional, but it can hardly serve as the basis for a multilateral movement. The second position—a more coherent argument—holds that the Nonaligned Movement can become a platform for airing North-South issues, and that India should take a leading role in this enterprise.

Adopting this confrontational role could have disastrous consequences for India. In fact, rarely has there been a more inopportune time for pursuing such a strategy. After years of isolation from the international economic system while in pursuit of an import-substitution strategy for industrialization, India has finally embarked on an attempt to open its economy to foreign investment. To that end it has also sought to dismantle the labyrinthine regulations that have governed labor practices, investment priorities, and the expansion of industrial capacity. Championing North-South causes at a global level would inevitably conflict with India's attempts at economic liberalization internally and externally. India would become identified with rigid positions on such questions as intellectual property rights at the General Agreement on Tariffs and Trade negotiations, which could well have a detrimental effect on foreign investment in India.

TWO GIANTS REGARD EACH OTHER

A hospitable foreign investment climate would enable India to attract significant investment from the United States, India's largest trading partner. A substantial American stake in the Indian market could provide the basis for an expanded relationship between the two

countries. The task of forging new ties will not be easy. If deftly managed and freed from the rhetorical excesses of the past, it could yield important benefits to both sides. Failure to do so could lead to yet another round of shattered hopes and bitter recriminations.

As India continues with its colossal economic liberalization program it will need multilateral assistance; American support for "soft financing" from the World Bank and the IMF will remain crucial. The United States also remains India's best possible source for advanced technology in areas such as electronics, genetic engineering, and space research. This argument holds despite the American intervention in July that prevented the Russian space agency Glavcosmos from selling cryogenic engines to the Indian Space Research Organization, a deal that violated the United States-sponsored Missile Control Technology Regime. Further, the United States is the only outside power of any consequence that can play a useful role in resolving the Kashmir dispute.

Currently, there appears to be gradual recognition in New Delhi of the importance of the United States in Indian foreign policy calculations. Several small indicators suggest a willingness to maintain a positive tenor to the relationship despite occasional discordant notes. For example, when the cryogenic rocket engine deal collapsed, New Delhi protested in the mildest possible terms. Also, the United States attack on Iraqi intelligence facilities in July not only elicited no protest from New Delhi but even received a sympathetic response; in the past, India's decisionmakers would have roundly condemned the attack in an expression of third world solidarity.

This is not to suggest that the Indo-American relationship does not have its pitfalls, or that it is currently robust. Differences exist, and the present areas of cooperation are limited. The principal divergence of views centers on the question of nuclear proliferation in South Asia. Despite pressure from the United States, India continues to insist it will not sign the nuclear Non-Proliferation Treaty, which it sees as discriminatory. India's argument is simple. The treaty prohibits countries that do not yet have nuclear weapons from acquiring them, but it places no restrictions on the nuclear states. Furthermore, Indian decisionmakers argue that India faces a threat from a nuclear-armed China.

United States nonproliferation policy, which had been fitfully pursued during the 1980s, has acquired renewed vigor at the end of the cold war. American

concern about nonproliferation in South Asia stems from the incipient nuclear arms race between India and Pakistan. The United States is sensitive to India's concern about a possible Chinese threat, but concerns about an unrestrained arms race in South Asia continue to animate American policy.

The stated positions of the two sides appear intractable. New Delhi's protestations about the Chinese threat notwithstanding, a quest for great power status is the underlying reason for India's desire for nuclear weapon capability. To pursue the larger goal of nonproliferation, the United States will need to address this; failure to do so will only lead to deadlock on this critical issue. As Stephen Cohen, a specialist on South Asian security, has suggested, one possible option may be to offer India a permanent seat on the UN Security Council. Senior Indian diplomats suggested to this writer last October that such an arrangement might be acceptable.

A second irritant in the relationship proceeds from the human rights situation in India. Faced with increasing pressures from their constituencies, various members of Congress are urging the Clinton administration to take a tougher stand on violations of human rights in India. These pressures are not likely to abate, but unlike with the nonproliferation issue, the Indian government can move with considerable dispatch in addressing this problem. The vast majority of the human rights violations for which India has been criticized constitute blatant infringements of provisions in its own constitution; addressing these lapses calls only for rigorous enforcement of the country's existing laws. Consequently the government can, if it so desires, easily deal with jingoistic sentiment that holds India is bowing to American pressure on the human rights issue.

As the end of the century approaches India stands at a crossroads. Its most significant achievement since independence has been to demonstrate that democracy can survive in a poverty-stricken nation. Three central questions for the future now confront the Indian state. Can it tackle the seemingly endemic problem of poverty through its new strategy of economic liberalization? Is it resilient enough to cope with the recent wave of ethnoreligious assertion and still maintain its secular credentials? And finally, can its institutions for making foreign policy as well as its leadership summon up sufficient skill, imagination, and courage to discard long-held shibboleths and effectively deal with a markedly altered world order? ■

The causes of the East Asian economic miracle have been the subject of intense debate. Is it the invisible hand of the free market left to itself? Or is it partly because government "technocrats . . . did a lot of what neoclassical economists say bureaucrats cannot do well: they picked industries for special promotion, [treating] particular industries at any one time (information, electronics, and biotechnology today, for example) as the natural successors to the bridges and lighthouses of Adam Smith's day—which Smith thought too critical for the general welfare to be left to market forces."

The Visible Hand: The State and East Asia's Economic Growth

BY ROBERT WADE

What accounts for East Asia's outstanding economic success?¹ Professional economists and international financial institutions hold that the East Asian economies have succeeded mainly because their governments followed economic policies that did not obstruct the natural growth-inducing processes of capitalist market economies. Governments elsewhere in the developing world have failed to exercise such restraint, and their citizens have paid dearly for it.

This "neoliberal" view emphasizes the importance of East Asia's near free trade regime, undistorted exchange rate, conservative government budgeting, high real interest rates, and free labor market. Hong Kong is the paradigm.

But over the past decade considerable evidence has come in that questions this view. This evidence suggests that Taiwan and South Korea did not have unusually liberal trade regimes; that in some respects their public sectors were unusually large; that South Korea's high real interest rates prevailed for only a few years (1967–1971), after which they were very low or negative; that both states tightly controlled the finan-

cial system (South Korean banks were owned by the state until the early 1980s, Taiwan's are only now in the process of nominal privatization); and that both governments carried out policies to promote specific industries using subsidized and targeted credit, fiscal concessions, and protection to alter profit functions (along with quite a lot of arm-twisting) in order to induce or cajole more resources into targeted sectors than would have otherwise flowed in the absence of such "distortions."

Faced with this evidence, neoliberal economists have revised the core interpretation in one of three ways. Some simply acknowledge that South Korea, for example, had relatively high protection from, say, 1960 to 1985, but then pass on without stating what implications this has for the neoliberal prescription for nearly free trade. This is the simplest response.

Other neoliberals have come to agree that South Korea and Taiwan were not cases of laissez-faire—that the state did take an "active role" in the economy. But in specifying the content of that active role, they emphasize only the provision of public goods, such as education, and say little about state policies that distorted prices or blocked market exchanges. This keeps the explanation consistent with the neoliberal prescription of what governments should and should not do while making a rhetorical concession to the new sympathy for intervention.

A third group acknowledges these various interventions and price distortions, but then says that the distortions were sufficiently balanced to cancel each other out; the distortions in effect "simulated" a free market. This group further implies that if the whole array of distortionary policies were withdrawn at a stroke there would be no more than short-term effects on resource allocation. In World Bank economist

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¹Much of the data and the arguments in this article come from Robert Wade, *Governing the Market: Economic Theory and the Role of Government in East Asian Industrialization* (Princeton: Princeton University Press, 1990). See also the author's "East Asia's Economic Success: Conflicting Paradigms, Partial Insights, Shaky Evidence," *World Politics*, January 1992.

Frederick Berger's words, "I believe that the crux of the [South] Korean example is that the active interventionist attitude of the state has been aimed at applying moderate incentives which are very close to the relative prices of products and factors that would prevail in a situation of free trade."

The trade theorist Jagdish Bhagwati combines the second and third responses. "The Far Eastern economies (with the exception of Hong Kong) and others that have come close to the EP strategy [EP means export promotion, the strategy consisting of getting the average effective exchange rate for imports approximately equal to that for exports] have been characterized by *considerable government activity* in the economic system. In my judgement, such intervention can be of *great value*, and almost certainly has been so, in making the EP strategy work successfully."

What are the components of this "considerable government activity" that has been "of great value"? The interventions of great value are those that establish the necessary confidence in the minds of producers that the government's commitment to an export promotion strategy is serious (but Bhagwati gives no indication of what precisely these interventions are). He mentions in passing that the export promotion strategy does not preclude import substitution in selected sectors, but gives no attention to this combination. In this fashion Bhagwati recognizes the fact of considerable government "intervention" in the East Asian cases, but then implies that insofar as those interventions helped more than they hindered, they did so by creating and reinforcing some of the neoclassical growth conditions. Interventions that do not meet this criterion are treated as by the first group: acknowledged but ignored as being of no consequence for the theorems or the recipe.

Neoliberal economists are thus able to say that they know that South Korea, Taiwan, and Japan have not been paragons of laissez-faire; state intervention was, however, mostly consistent with neoliberal principles (it simulated a free market); and any interventions that are inconsistent with those principles were unimportant enough to ignore—no more than "window dressing." But there is no evidence for this last proposition; it follows from an assumption that the theorems must be right, so that anything inconsistent with the theorems can (in the context of a successful case) be ignored.

TWO KINDS OF STATE-MARKET INTERACTIONS

Behind this neoliberal interpretation—both the simple and the revised versions—lies a theory that views most of the interactions between states and markets as a vicious circle:

- More and stronger state action subverts or distorts markets (other than the provision of public goods

and, in Bhagwati's formulation, policies that enhance producers' confidence that the government will stick to an EP strategy).

- The gainers in such subverted markets use their gains to subvert the state.

The solution is a compressed state, with smaller shares of GNP flowing through state channels of allocation, allowing healthier markets. The East Asian and Latin American counterexamples are taken to show the truth of both sides of the argument.

Outside the mainstream is a more miscellaneous body of analysts, many of whom emphasize the role of the state. These "statists" see state-market interactions as a virtuous circle:

- More and stronger state action aids more efficient and sustainable markets by providing infrastructure, education, enforcement of property rights, commodities subject to both large economies of scale and diseconomies of private monopoly regulation, and early investments in high-entry-barrier industries important to the economy's future growth.
- The incentives, rivalry, and feedback of these markets in turn help keep state actors effective and efficient.

The difference between East Asia and Latin America lies not in the size of the state, but in East Asia's more disciplined use of state power to foster the national economic interest.

In the general case, there is clearly truth in both arguments: bigger and better markets do often need bigger and better states, while bigger states do often seek to control or eliminate markets.

The state-market dilemma directs our attention to two large questions about East Asia that may help us supersede the stale old "states or markets" debate. From the first horn of the dilemma, what have East Asian states done to widen and improve the workings of markets, especially the ability of markets to generate growth or new resources—as distinct from their ability to generate efficiency in the use of existing resources? (And as a subquestion, how much of this is consistent with neoliberal prescriptions as to what governments should and should not do?) From the second horn of the dilemma, what has disciplined the state in East Asia not to subvert or remove markets, at least not to the extent of impeding growth? Why has there not been massive "government failure"?

THE STATE AND GROWTH

A "governed market" was the key feature of industrial policy in South Korea and Taiwan. This is a system

of mostly private enterprises competing and sometimes cooperating under state supervision in the context of heavy investment in education.

In this system there were both large amounts of direct state intervention and large amounts of competition. The competition came mainly in export markets, the domestic market being (as we shall see) somewhat buffered by protection. State intervention was guided neither by the half-light of economic theory nor by the preferences of vote-seeking politicians. Rather, technocrats paid close attention to the industries needed to boost military self-sufficiency; to the Japanese model, including specific organizational arrangements; to results in export markets; and to private demand for imports of capital and intermediate goods. With criteria derived from these sources, they did a lot of what neoclassical economists say bureaucrats cannot do well: they picked industries for special promotion, encouraging resources into them beyond what individual companies were prepared to risk. They treated particular industries at any one time (information, electronics, and biotechnology today for example), as the natural successors to the bridges and lighthouses of Adam Smith's day—which Smith thought too critical for the general welfare to be left to market forces.

With governed markets, South Korea and Taiwan managed to obtain the economies of scale that come from acting in a wide economic space (the international market), plus the innovations induced by competition, plus some buffering of the domestic market from international competition, and some reduction of risks or increases in profits in industries that the government deemed important for the economy's future growth. Both countries were able to ride the wave of internationalization while at the same time imposing a politically determined directional thrust on domestic resource allocation, integrating and transforming the production structure faster than would have occurred had the controllers of capital been allowed to operate in an unconstrained logic of global profit maximization.

No other developing countries achieved this combination. China, India, and the countries of eastern Europe, for example, had plenty of direct state intervention (of a less strategically focused kind), but little competition; and minus eastern Europe they had a much less sustained commitment to raising skill levels.

Let us consider two domains of state action in East Asia: education and protection. Education provided and regulated by the state is generally considered to be consistent with the neoliberal recipe because of its

public good characteristics; protection is generally considered to be quite inconsistent.

GUIDED KNOWLEDGE

One of the most striking things about South Korea, Taiwan, and even more so Japan is the increase in the ratios of skilled to basically skilled to unskilled people in the labor force over the past 40 years. This is measured not just in terms of level of education attained, but in terms of the content of the education, with a high proportion of the total in engineering or science. In a population of 20 million, Taiwan's junior colleges produced over 20,000 graduates with engineering diplomas annually during the 1980s, the universities another 10,000 bachelor-level engineers a year (nearly twice as many as the United States in relation to population). About 25 percent of all university graduates since 1960 have been engineers (law graduates, 1.2 percent). Science and engineering students together accounted for more than one-third of post-high school graduates during the 1960s, and over half by the 1980s.

Rapidly rising skill levels are fundamentally important in the East Asia story. Their particular importance derives from some recent research on North-South trade in manufactures, which concludes that this trade "is based almost entirely on differences in the availability of human skills. . . [and] not on differences in the availability of capital."² That is to say, comparative advantage, in the context of North-South trade in manufactures, rests largely on the skill composition of the labor force, and shifts in a country's comparative advantage in the direction of higher wages are dependent on increases in the ratio of skilled to basically skilled to unskilled labor.

Behind this view is the argument that product categories can be ranked in terms of the skill mix needed for their production, and the categories that are "appropriate" to a country at any one time (in the sense of being in line with comparative advantage) can be determined by comparing the product's skill requirements with the skill composition of the labor force. This is because the ratio of skilled to basically skilled to unskilled people determine the scarcity and relative cost of different levels of skill, and therefore the viability of investments that require different combinations of these skill levels. It was the onrush of technically educated people into the labor force of South Korea, Taiwan, and Japan that lowered the relative cost of skilled labor, allowing investments in progressively more skill-intensive, higher wage activities to be viable.

What about government education policy? The influx of skilled people was not simply the result of citizen preferences. The government steered the demand for education through a series of manpower plans. In Taiwan the actual results—in terms of

²Adrian Wood, "A New-Old Theoretical View of North-South Trade, Employment and Wages" (Discussion Paper 292, Institute of Development Studies, Sussex University), p. ii.

expansion of enrollments in different subjects, the balance between private and public schooling, the overall rate of expansion, the proportion of GNP allocated for education—have corresponded fairly closely to the targets of these plans. Moreover, many of the targets have run counter to citizen demand. For example, post-junior high school enrollments in vocational institutions expanded much faster than enrollments in academic institutions, raising the ratio of vocational to academic places from 40:60 in 1963 to 69:31 in 1986. The growth of academic institutions has been deliberately restrained. But the rate of private return on education in the academic institutions has been calculated to be higher than that on education in the vocational institutions, suggesting that the restriction on expansion of the academic institutions runs counter to private demand. In sum, maximizing individual preference was not the goal of the Taiwanese government's education policy.

PROTECTING THE MARKET: THE TAIWANESE EXAMPLE

Nor did East Asian governments allow consumer preferences to prevail in international trade. All three East Asian countries have had closely managed trade regimes (although Japan removed most state-sponsored protection between 1970 and 1980). East Asia's trade regimes are inconsistent in major ways with even a modified neoclassical account of what constitutes a good trade regime.

Taiwan is often presented as an exemplar of a liberal trade regime. The main evidence for this view is the study by Lee and Liang using data from as long ago as 1969.³ This study does indeed show Taiwan as having at that time a relatively low average level of protection, especially for manufacturing. But there are two basic problems. If we disaggregate even a little, we find that Lee and Liang's results show significant differences in the extent to which various industries are spurred on by policy-based incentives, and significant differences between industries in the incentives to export or sell domestically.

Second, methodological problems mean that we have to be cautious about accepting the study's results at face value. In particular, certain assumptions and omissions have the effect of either making the amount of inter-industry incentive bias seem lower than it really is (that is, of concealing the true degree of incentive nonuniformity), or of making the average level of protection seem lower than it actually is.

Some other evidence for later periods suggests substantial protection. In 1984, after waves of much vaunted "liberalization," 54 percent of Taiwan's im-

East Asia Profiles

	Population 1990 (in millions)	Population growth rate, 1980– 1990 (in percent)	GNP per capita, 1990 (in US dollars)	GDP growth rate, 1980– 1990 (in percent)
Japan	124	0.6	25,400	4.1
South Korea	43	1.1	5,400	9.7
Taiwan	20	1.3	8,000	7.7
Hong Kong	6	1.4	11,500	7.1
Singapore	3	2.2	11,500	6.4
China	1,134	1.4	370	9.5
US	250	0.9	21,800	3.4

Source: World Bank, *World Development Report 1992* (New York: Oxford University Press, 1992). Taiwan data are from *Taiwan Statistical Databook* (Taipei: Council for Economic Planning and Development, 1992).

ports by value were still covered by various nontariff barriers. The most comprehensive barriers required prior approval of an import by the domestic producer of substitutes or a government department. All steel imports, for example, had to be approved by the large public enterprise steel-making company, China Steel, until 1987. Moreover, the average legal tariff in 1984 was 31 percent, about the same as the developing country average of 34 percent for tariffs and other trade charges. Yet because Taiwan's tariffs had come down before 1984 much faster than the developing country average, we can infer that Taiwan's average legal tariff before then had been higher than the developing country average.

In the neoclassical argument, protection has four main harmful effects:

- High protection eases or removes pressure on domestic producers to lower their costs to international levels.
- High protection makes for high dispersion in protection levels between industries, resulting in unplanned and undesirable differential incentives.
- High protection harms exports and domestic agriculture.
- High protection induces rent-seeking, which causes social losses.

We consider just two of these effects here. How was protection arranged so that it did not eliminate international competitive pressure on domestic producers,

³T. H. Lee and K. S. Liang, "Taiwan," in Bela Balassa, et al., *Development Strategies in Semi-industrial Economies* (Baltimore: Johns Hopkins University Press, 1982), ch. 10.

and so that it did not harm exports? The key point is that protection policies operated in the context of strong government emphasis on exports. The government (here I refer to both South Korea and Taiwan) created a special regime for exporters that enabled them to obtain imported inputs quickly and at near-world prices. This was supplemented by a facility that covered much or all of their working capital requirements at lower than normal bank loan rates. Both these facilities operated according to well-established rules, and were automatically available to exporters.

More broadly, the government took export performance as a factor in providing resources. If a firm wanted help for one reason or another (perhaps to avoid penalties for building a factory outside a land zoning plan), its request would be more favorably viewed if it could point to good export performance. Exporting became a “focal point” of government-business relations. Firms therefore sought to export not just to get the various export incentives, but also to build up “credit” in their future dealings with government. In this sense there was a government-created export “culture.”

Even firms enjoying protected domestic sales were under pressure to export. Indeed, the sheltering of their domestic sales allowed them to practice discriminatory pricing, charging higher prices on domestic sales and using the higher profits to subsidize exports. In 1979 the average total cost of the Pony, a Hyundai car, was \$3,700; the domestic price was \$5,000; the price abroad was \$2,200. Similar dual pricing continued at least to the late 1980s.

Even some heavy upstream industries (where firms directly exported little and where they have enjoyed substantial protection) have been under competitive pressure to lower costs to international levels. If their prices rise above the cost of import substitutes, exporters can petition the government to allow more imports, and they will probably have some success. (The allowable proportion of imports in the total use of a chemical, for example, may be raised from 40 percent to 60 percent for a limited period.) In other words, the protection given through nontariff barriers is not unconditional. The government often sponsors negotiations between upstream firms and downstream user firms (in petrochemicals, for example). These are aimed at balancing the interest of upstream firms in having a reliable base of domestic demand against that of downstream firms in getting inputs at world market prices.

This balance expresses the compromises between the competitiveness of present-day exports and the government’s conviction that the industrial structure should shift toward higher value-added activities faster than unguided market forces alone would produce. To soften the trade-off between present and future, the government devotes considerable resources to assess-

ing the long-run prospects of various technologies, goods, and foreign markets, as well as providing plenty of current market information to domestic producers and foreign buyers.

Still another use of this strategy of quantitative trade management to aid industrial transformation can be seen in the following case. A large multinational was producing in Taiwan a product that required a chemical with unusually high purity. Domestic makers could not supply the chemical with the purity required, and the company was allowed to import what it needed. At a certain point, the Industrial Development Bureau official who supervised that part of the chemical chain thought that production at the higher level of purity was within the technological capability of Taiwan-based makers. He discussed the possibilities with the Taiwanese makers and also with the multinational. He encouraged the latter to complete a purchasing agreement with the domestic makers to guarantee them sales if they made the requisite investment in plant and skills. The multinational was doubtful. But after awhile, it found that its applications to import the chemical, previously approved automatically, began to be delayed—and the delays began to lengthen. It got the message; it entered into a purchasing agreement with the domestic suppliers, and they upgraded their capacity.

This strategy—which has been used across the industrial spectrum in Taiwan—shows how Taiwanese industrial policy officials can nudge the production structure into more sophisticated activities. But note that the necessary condition for this strategy to work was that the domestic maker had to be able—within not too long a time—to produce to the required standard of purity and at not much above the world market price.

In short, the means by which protection is administered suggest how the shape of Taiwan’s protection regime and its integration into a wider export and industrial transformation strategy may have offset the predicted neoclassical costs of protection on domestic costs and exports. Protection administered in this fashion may even have helped to accelerate the shift of comparative advantage into higher value-added activities, by means of a “learning-by-doing” effect on skills.

East Asian trade regimes, and their industrial policies more generally, gave government officials, often men and women in their thirties, much discretion. From the neoliberal treatment of government-in-general, we would expect that this discretion would have been systematically misused. Yet it would be hard to argue that it has happened on a scale that significantly retarded growth in South Korea and Taiwan. This brings us to the second horn of the state-market dilemma.

WHAT HAS DISCIPLINED THE STATE?

Bigger states are often capable of and interested in removing, controlling, or intervening in markets in ways that obstruct economic growth. In neoclassical economics there are three broad arguments that explain such a tendency.

- The information available to public officials is inherently more limited or inaccurate than that available to decentralized private agents. This questions the ability of government to carry out its intentions, whatever they might be.
- Government intervention creates super-normal profits (rents) for whose capture private agents use resources “wastefully” or “unproductively” in growth-inhibiting ways. This likewise questions the ability of government to implement policies with the intended net effects since the costs, once broadened to include the unproductive use of resources to capture government-created rents, are likely to exceed the benefits.
- Government officials tend to seek objectives only distantly related to the ostensible public purposes of their agencies, especially since their behavior is less constrained by anything analogous to the profit imperative that motivates businesspeople. This argument questions the extent to which the real interventions of government are in line with the publicly stated ones.

According to the neoclassical view, as government becomes larger and more active, the net impact of its growing attempts to change the economy’s composition is likely to harm growth for reasons that relate to information, rents, and the discrepancy between ostensible and real bureaucratic objectives. What has checked these tendencies in East Asia? This is the jackpot question.

There is no simple answer. We can make some headway and avoid a completely ad hoc, regionally specific, and historically unique kind of explanation (for example, “Confucian values”) by looking at the East Asian facts through the lens of the three neoclassical arguments about “government failure.”

THE INFORMATION GAP THAT ISN'T

The information problem has been eased in several ways. First, the civil service is still an elite career; this helps overcome compliance and asymmetric information problems in bureaucratic agencies. (English-speakers take note: it is in the English-language countries—the United Kingdom, the United States, Canada, Australia, and New Zealand—where vigorous efforts were made during the 1980s to move away from

the concept of an elite civil service with lifetime employment.)

Second, central officials draw on expertise and information located in the forest of state enterprise “research and service” organizations surrounding the core economic bureaucracy. For example, when Taiwanese officials need to make decisions about protection in the electronics field, they get advice from the Electronics Research and Service Organization (ERSO), which had a staff of 1,700 in 1987. Research and service organizations like ERSO employ specialists more flexibly than the central government service can.

Third, the government makes substantial investments in acquiring information and making it available. Officials can know within 48 hours what has been imported and exported from the country, for example. In Taiwan, the Industrial Development Bureau officials responsible for monitoring various economic sectors spend several days a month making factory visits up and down the country. An export quality control scheme requires the inspection of each exporting factory at least once a year by a team of experts in quality control, who grade the factory’s quality control system (the higher the grade the lower the inspection fee). Through both channels (factory visits by Industrial Development Bureau officials and export quality control officials), the government can make decisions based on detailed knowledge of production conditions and capabilities—though not about finances, which firms are much more secretive about. These devices are a kind of substitute for the government-industry “deliberative councils” that have been more common in Japan and South Korea.

Finally, there is the architecture of the industrial policies themselves. Several forms of public help are made conditional on performance, which is tracked with relatively easy-to-monitor indicators, such as exports, or the gap between domestic and international prices. This also eases the information problem.

In short, information is abundantly available to central economic bureaucrats. And information asymmetries between top decisionmakers and lower level officials, and between the state and target groups, are checked by the civil service’s eliteness (which aids compliance within it), by performance indicators, and by the sheer variety of information sources.

THE ECONOMICS OF CORRUPTION AND STATE MYOPIA

What about the other neoclassical preoccupations that government officials will use their discretion over budgets and permissions to pursue goals only distantly related to the publicly stated ones, and that even if well intentioned, their interventions will generate rents to whose capture private agents will divert resources “unproductively”?

Again, we can find several factors at work in Taiwan that inhibit these effects. The high level of talent attracted into government service, specifically those with technical training, has already been mentioned. This means, among other things, that government officials steer their conduct by norms of intellectual and professional integrity. At the same time, they are not caught between rival interest groups lobbying for favors. Economic interest groups have little autonomy, while the civil service has a lot from the legislature. (Officials are, however, subject to monitoring from centers outside the core bureaucracies, namely, the research and service agencies.) And the press is fairly free to make economic—but not political—criticisms of the government. Industrial officials study the business press with care.

Moreover, the performance conditions attached to government assistance discipline not only the recipients but also the givers. Government officials know that their own behavior can be assessed in relation to the same performance indicators. If a firm can show that its ability to meet performance conditions on exports, for example, is being impaired by incompetent or bribe-seeking officials, it has another channel of recourse. Indeed, performance conditions give officials clearer indicators of what they are meant to be doing and give them an incentive to help “their” firms meet those conditions. Performance conditions thus not only help the information problem; they also help the “bureaucratic self-seeking” and “private agent rent-seeking” problems.

So while officials have certainly conferred rents (by giving more help to some firms or industries than others), the resources devoted to rent-seeking have been limited because the chances of modifying government allocations through kickbacks are not high. Moreover, the industrial rents conferred by government have often facilitated higher productivity growth because of the wider competitive-cooperative incentive structure facing rent-capturing firms, and because the government has often (but not always) been able to withdraw the rent-creating interventions when necessary.

This then helps us to understand why “government failure” in the market might be less in Taiwan and South Korea than neoclassical theory would predict. But neoclassical theory is rooted in the institutional structure of the West, and takes for granted certain features that should not be taken so in a broader comparative context. For example, we need to be

explicit that for centuries, Taiwan and South Korea have had economies based on markets and (mostly) private-property. Unlike Russia, China, Vietnam, and others, South Korea and Taiwan never took their undoubted admiration for the state to the point of having it make shoes and provide haircuts. The control of most of the economy’s productive assets by private capitalists meant that government officials had to pay close attention to how their decisions affected profits if the government’s military and developmental objectives were to be achieved.

In another way, however, Taiwan and South Korea are closer to the “socialist” cases than to the West. Until very recently their government structure had not met even the minimal condition of democracy: that the ruling party can, potentially, lose power through elections. Civil society has also been kept deliberately weak. In terms of civil and political rights, Taiwan and South Korea came no higher than halfway down a ranking of middle-income countries by civil and political rights during the 1970s and early 1980s. The absence of democracy and civil society has made it easier for government officials to carry out their intentions. But what has kept those intentions consistent with national economic growth objectives (in contrast to the case of Myanmar, for example)?

THE HISTORICAL CONTEXT

At this point in the argument we need to step up the causal chain from the “proximate” causes and back into the domain of those historically more specific and contingent. Taiwan and South Korean officials operate with cultural models of power and authority that have been generated by centuries of experience in the centralized polity and economy of the Chinese empire and the Korean kingdom.⁴ The cultural models have been reinforced by Japanese colonialism, by the organizational exigencies of fighting wars, resisting siege, and (in the case of Taiwan but not South Korea) being perceived as alien by the native population.

Taiwan and South Korea are “part countries”—both face a credible threat to their continued existence from the part torn off. The sense of an external threat and the urge to do better than the other side may have compensated for the lack of internal competition between a domestic opposition party and the state. After all, the governments of most developing countries knew that they could fail economically and not risk the survival of the government *and* the state and nation itself. In contrast, South Korea and Taiwan knew that without quick economic growth and social stability, the ultimate horror of economic and political collapse was a possibility. This led them to devise an unusually close coupling between national security and economic strength. As in Japan, the economic bureaucracies were initially given responsibility for directing resources that enhanced manufacturing’s ability to

⁴See, for example, Lucian and Mary Pye, *Asian Power and Politics: The Cultural Dimensions of Authority* (Cambridge: Belknap Press, 1985).

⁵My account is obviously highly stylized. For further discussion, see Wade, op. cit., chapters 7 to 10, especially pp. 333–342.

shift to military production, an objective subsequently extended, with the same "must do" mentality, to joining the club of advanced Western nations as fast as possible.

Here the "neighborhood" effect of being near Japan has been important. Japan provided a textbook on how to catch up—a textbook with which the Taiwan and South Korean rulers have become well acquainted. It provided a tangible model of what a disciplined state could achieve both militarily and economically, and that model contributed to the development of a mission-oriented organizational culture in key government agencies. And independent of government policies, the Taiwanese and South Korean economies benefited from spillovers from Japan's high-speed growth, spillovers that, inkblot-like, were spatially concentrated. (How important this "inkblot" or neighborhood effect was I do not know.)

These historical and cultural conditions generated the pressure for a coherent national economic strategy and the ability to implement the strategy. Above all, they help to explain why Taiwan and South Korea have met the central proximate condition of government "success": that those intervening in the market on behalf of the national interest had the national interest at heart; were talented enough to translate between broad goals and policy specifics; had accurate information about the capacities and behaviors of private agents and their own subordinates; and took the goals and authority of the organizations they worked for as the bases for their own actions.⁵

AN EAST ASIAN MODEL FOR THE DEVELOPING WORLD?

What does the foregoing suggest about the chances that other developing countries can transform their economies and raise incomes fast enough to shoot up the global economic hierarchy at something approaching the rates of South Korea and Taiwan? It suggests that the chances are a good deal slimmer than the neoliberal account would have us believe. For one thing, the world economy today is less expansive than when, in the 1960s and 1970s, South Korea and Taiwan gained momentum. For another, the political conditions for establishing and sustaining the key policy combination of competition, direct state intervention, and education are too stringent to be met by many other states. The stringency of this combination is consistent with evidence on the rarity of a country moving from periphery to semiperiphery, or from semiperiphery to core over the past five decades.

However, we have to take note of some pointers that lead to a more optimistic conclusion. Several of the key institutional arrangements in East Asia are the result not of deep historical trends or "culture," but deliberate and fairly recent design. One thinks of Japan's industrial relations system, some parts of which were

put in place in the 1920s and 1930s (plant unions and gradual extension of white-collar privileges—security of employment and incremental salary scales—to blue-collar workers), but institutionalized as a national system only as recently as the early 1950s in response to intense labor-management conflict. Japan's economic bureaucracy and other public sector organizations (such as the police, post office, and navy) were designed after close study of Western models in the late nineteenth century. South Korea and Taiwan based many of the organizational arrangements for their industrial policy on modified Japanese models from the 1950s and 1960s.

These arrangements are now "available" for other catch-up countries to copy. Of course, major organizational change is rarely voluntary in the sense of policymakers thinking such change would be to their country's advantage. It generally comes at a time of economic distress and social conflict. But when people try to resolve conflicts they tend to choose from among alternatives already familiar to them on the basis, partly, of their knowledge of how alternatives work elsewhere. The superior economic performance of East Asia gives legitimacy to efforts in other parts of the world to adopt some elements of that region's organizational arrangements.

Malaysia, Thailand, Indonesia (population nearly 260 million), and the southern coastal provinces of China (Guandong and Fujian, population 100 million) have been growing quickly since the 1980s. Their growth is partly "at the invitation" of the East Asians, who are investing heavily. Can it be sustained? Perhaps some Latin American countries, squeezed by foreign debt and Asian competition in potential export markets, are descending from the semiperiphery to the periphery, leaving space in the semiperiphery for a few of the Asian newcomers to move into. Perhaps Britain, with the most ill-educated labor force of all the core countries and a long-standing commitment to an overvalued exchange rate, is steadily dropping out of the core toward the semiperiphery, leaving space for others, such as Taiwan, South Korea, Singapore, Spain, and perhaps parts of eastern Europe.

Perhaps. But on the minus side, note two facts. One is the global recession, seen in the decline in annual rates of world GDP growth from 4.9 percent in 1960–1970, 3.5 percent in 1970–1980, to 2.9 percent in 1980–1989. This makes it more likely that growing trade from countries newly integrating into the world economy will constitute trade diversion rather than trade augmentation, which is presumably more difficult to do. Growing protection in the West, induced by the global recession, reinforces this tendency.

The second fact is that Southeast Asia's industrialization is dominated by foreign investors, who have so far developed ties with domestically based suppliers and users to a remarkably small degree. For example,

Thailand's "investment rush" of the late 1980s was driven largely by foreign investment; 75 percent of the investment projects by value approved by the Thai Board of Investments were from foreign firms, half of which were Japanese. The local content of consumer electronics goods produced by Japanese firms directly investing in Thailand and Malaysia in 1988 was only about 30 percent, and locally procured parts came mainly from transplanted Japanese parts makers. Taiwan and South Korea at an equivalent time in their industrialization were much less dominated by foreign firms, and those foreign firms that were there were more closely anchored in the domestic economy, thanks partly to government actions to make it happen (recall the case of the high purity chemical in Taiwan).

If the prospects for large-scale replication are small, this does not mean that newly industrializing countries cannot learn a great deal from the successful East Asian cases. The most transferable knowledge is at the level of specific institutional design. For example, if some protection for domestic industries is to be maintained, it is essential to exempt imports of inputs for exports from tariffs, allowing exporters to receive inputs at world market prices. Taiwan and South Korea have a great deal of experience on how to organize such a tariff-rebate scheme, which newcomers would be crazy to ignore.

WHAT THE ANSWERS ARE

The Role of Industrial Policies

South Korea, Taiwan, and Japan show that selective industrial promotion need not be inimical to rapid industrialization. Whether they show that selective industrial promotion can itself accelerate industrialization in such a way as to bring net social benefits is still an open question. There is no conclusive evidence either way. My own judgment is that the balance of evidence is in favor of the argument that selective industrial policies as practiced by these three countries did assist their internationally competitive industrialization.

To make the point more precise, we need to distinguish between two types of government "intervention": leading the market and following the market. Following the market means government assists some of the projects that private businesspeople want to undertake at current prices. Leading the market means that the government initiates projects that private businesspeople would not undertake at current prices. Leading in turn comes in two degrees: initiating projects that are unviable at current prices but viable at proper shadow prices (L1), and initiating projects that are unviable even at "proper" shadow

prices (L2).⁶ Looking at the role of government in East Asian industrialization, we see a pattern of government intervention shifting between these roles in some industries over time, while in other industries we find little if any intervention—not even regulatory. It seems likely that most of the government's leadership of the market was of the L1 type. But there are some cases of L2 that turned out to be successful, the Korean steel industry being the most celebrated example. In any case, whether doing L1 or L2, the government's role in industrial promotion went far beyond the neoliberal recipe.

Where the central proximate condition for industrial policy success, given above, cannot be even minimally met, it would be foolish for a government to try L2; and even L1 has to be done very selectively. Most industrial promotion should be the case where the government follows the market, with export performance or the gap between domestic and international prices the dominant criterion for continued assistance.

Education

Raising a country's ratios of skilled to basically skilled to unskilled people is the most effective way to shift comparative advantage in the direction of activities that support higher incomes.

Trade Policy

Trade policy ("outward orientation," "inward orientation") is of secondary importance in explaining trade patterns relative to skill mix and natural resource endowment. A trade regime that is, overall, "trade neutral" (that is, which meets Bhagwati's EP condition) is consistent with substantial differences between industries in the extent to which they are spurred on by industrial policy incentives, and in the extent to which they have incentives to sell abroad or in the domestic market. One of the most important topics for research is how, practically and theoretically, this combination can be achieved—and how reconciled with rules of a global trading regime. The vast neoclassical literature on trade policy is wrong to treat protection as a unitary phenomenon. The costs of protection depend heavily on organizational mechanisms and the conditions with which it is granted. The incentive effects of different protection "contracts" require more study, especially identifying the conditions in which protection can be expected to stimulate investment and learning-by-doing.

Trade Protection and Social Protection

Protection in East Asia was used not only as an instrument of industrial promotion, but also as a means of buffering the population from the risks stemming from entering the international market (as well as to raise revenue). As governments in the region

⁶Shadow prices are market prices adjusted for market imperfections so as to more accurately reflect real scarcities.

have reduced protection, they have also bolstered expenditure on domestic insurance in the form of welfare and transfer payments. In an article in a 1991 volume of *International Organization*, Robert Bates et al. found evidence in a sample of 32 low- and middle-income countries that "the higher the level of terms-of-trade risk that a nation faces in international markets, the more likely it is to increase trade barriers," and that "the greater the social insurance programs mounted by a nation's government, the less likely that government is to block free trade." The force of this point is reinforced by the new international competition that has made it possible for a set of industries located in one country to wipe out competitors in another country in half a decade, posing enormous adjustment problems, a phenomenon of which Adam Smith and David Ricardo were entirely innocent.

The Organization of Direct State Intervention

South Korea, Taiwan, and Japan used "pilot agencies" to exercise foresight and strategic planning in a way that private businesspeople could not afford to cultivate. These pilot agencies (MITI in Japan, the Industrial Development Bureau in Taiwan, and the Economic Planning Board in South Korea) were located in the heartland of government, where they acted as a lobbyist for a long-term perspective on national issues. They were staffed by some of the best talent available (and most of their officials were not economists). They had control over only a small amount of resources, much of their influence coming from their ability to persuade the resource controllers to support projects, for which their position in the heartland of government was crucial. However, our knowledge of the organization and operation of the economic bureaucracies of East Asia is remarkably thin.⁷

State-Society Relations

The pilot agency, in turn, formed part of a state apparatus that had a high measure of autonomy from the rest of the society (before the 1970s in the case of Japan). This is of course a stringent political condition. A more corporatist organization may be a feasible and attractive substitute for state autonomy, and is still likely to be more effective than the "free trade" of

United States-style political pluralism, which tends to produce the damaging immobilism seen in United States domestic policy.

Democracy and Human Rights

The East Asian states did not allow resource allocation to be determined only by decentralized businesspeople operating in the logic of global profit seeking. Above all they mediated the external transactions of the owners and managers of capital in such a way as to generate an intense cycle of investment and re-investment within the national borders; and they further subjected this investment to priorities determined through a political process (a nondemocratic one in the case of South Korea and Taiwan, an anomalously democratic one in the case of Japan).

Against this experience, we should be concerned at the current uncritical embrace of "democracy" and "human rights" as the political correlate of the economic doctrine of "free markets." Not only the new European Bank for Reconstruction and Development but also the old and ostensibly "nonpolitical" multilateral financial institutions such as the World Bank and IMF are now beginning to make "democracy" and "human rights" a condition for their loans, implicitly modifying their own previous notion of sovereignty.

Yet political changes promoted under the banner of democracy and human rights open the way for the controllers of transnational capital to exercise still greater influence over a country's political development. Human rights are being defined to include the right to use one's economic assets almost however one wishes, so that restrictions on asset use of the kind East Asian states routinely impose come to be seen as violations of basic human rights. "Democratic rules" readily allow outside groups to pour money into national electoral competition in an effort to determine the result (as was the case recently in Nicaragua).

These principles together can justify arrangements that, ironically, undercut the nation-state as a political center where compromises are hammered out between the groups of people who live there. In particular, they can make it difficult to reach and enforce compromises that entail restrictions on the use of capital, especially transnationally mobile capital. Yet without some such restrictions, and without an effective political center, it is unlikely that, in late twentieth-century conditions, a country can quickly stride up the world economic hierarchy. That, at least, is what the East Asian experience suggests. ■

⁷But see Chalmers Johnson's classic, *MITI and the Japanese Miracle: The Growth of Industrial Policy, 1925-1975* (Stanford, Calif.: Stanford University Press, 1982).

BOOK REVIEWS

ON SOUTH ASIA

India: Facing the Twenty-First Century

By Barbara Crossette. Bloomington: Indiana University Press, 1993. 176 pp., \$22.95.

Picture this: a young, bespectacled, sari-clad woman stoops in the traditional Indian fashion to touch the feet of Rajiv Gandhi, the once and probable future prime minister who is campaigning in the south before the May 1991 parliamentary elections. The woman pulls at her sari, there is a brilliant white flash followed by a thunderous explosion, and Gandhi falls face down next to the dismembered body of the suicide bomber. Standing barely 10 yards away is Barbara Crossette, the only foreign reporter at the scene, who will describe the assassination for *The New York Times*, for which she was the bureau chief in New Delhi from 1988 to 1992.

Crossette detonates a bomb of her own in *India: Facing the Twenty-First Century*. In her search for the truth, Crossette displays an honesty of purpose that will make those at the Foreign Office in Delhi and many Indian journalists not worthy of the title desist from their arrogant jingoism or cover their disjointed typewriters and accept harsh reality. The world's largest democracy has become the globe's most criminalized and most violent plutocracy. Elections are being bought and sold, finite resources squandered, hopes ruined. There is the "pervasive, resilient apartheid of caste," Crossette writes, and "dense, defiant overgrown myths. . . . [T]he exaggerated accomplishments of the Hindu past are thrown up as a defensive smoke screen over present and future national shortcomings."

More truth: Crossette shows India's minorities as silent spectators to the rise of political fascism in the guise of militant Hinduism. New Delhi's brute repression of Kashmiris demanding self-determination and Sikhs calling for their own nation has "shattered the [Nehru dynasty] myth that India was one big happy family of differing faiths and cultures."

"India," Crossette says, "is wrapped up in India." Corrupt, greedy politicians keep repeating that an industrial boom is imminent, but India's telephone and transportation systems are the worst in the world. The country's extravagant urban elites are centuries away from the hardscrabble existence of the villages in which the majority of Indian children are born and live out their lives. India, heir to great civilizations, now produces a large share of the world's illiterates and child laborers. "India," Crossette writes, "is bent on self-destruction."

Crossette's vision is unromantic, her style lucid and eloquent, her judgment objective. Her book will give

pause to many India watchers, tourists seeking spiritual enlightenment, and aid agency donors.

Rafique Kathwari

Bangladesh: Reflections on the Water

By James J. Novak. Bloomington: Indiana University Press, 1993. 256 pp., \$24.95.

"Visit Bangladesh. . . before tourists come," a billboard in Dhaka, the capital, proclaims. If you can master Bangladesh, you will be undaunted by anywhere else in South Asia.

Bangladesh: Reflections on the Water is a personalized narrative of the nation by James Novak, a writer who has lived and traveled in Asia for 30 years. The author's interest in the country is heartfelt. Fired with missionary zeal, Novak has informed himself thoroughly on Bengalese history, culture, and industry.

Novak relates Bengalese history from ancient times and reveals how the nation, which had been the richest province in India, is now a place of poverty and massive foreign aid. The Bangladesh of today was shaped by the drought of 1943, in which 5 million people died (5 million!). "It is one thing," Novak writes, "to stumble and fall; it is another to fall and be bruised; it is still another to fall, be bruised, and not have the strength to recover, to be so beaten that one begs for food and at last loses all dignity in the begging. It is even worse to have to beg when the world's media watch you and your family in such a shameful position." Novak aims for the jugular, and hits it.

Leaving Dhaka's "cynical, empty, heartless new tawdry Hollywood morality and Dallas-like greed" behind, Novak offers stunning vistas of Bangladesh, which he describes as "not so much a land upon water as water upon a land." Indeed, the imagery of water cascades down every page, for how Bangladeshis manage the rainy season and the water it brings is the key to how they manage their lives. The country has both the largest delta system and the greatest flow of river water to the sea of any country on earth.

As an introduction to Bangladesh this book is invaluable, particularly for teachers and pupils. Policy-makers will do well to heed Novak's observation that the needs of the poor are slight, and their ability to help themselves much greater than outsiders believe. Businesspeople are booking hotel rooms in Dhaka because they recognize that Bangladeshis possess a work ethic that is driven by need but also by pride. Tourists, as the billboard anticipates, may be following close behind for a sojourn in what the Mughals called the "Paradise of Nations."

R. K. ■

THE MONTH IN REVIEW

OCTOBER 1993

INTERNATIONAL

Commonwealth of Independent States (CIS)
(See *Russia*)

Middle East Talks

Oct. 1—In Washington, Israeli Foreign Minister Shimon Peres and Crown Prince Hassan of Jordan announce the normalization of economic and diplomatic relations.

At a Washington conference sponsored by the United States and Russia, delegates from 43 countries pledge \$2 billion in economic aid over 5 years to Palestinians in the Israeli-occupied West Bank and Gaza Strip.

Oct. 21—PLO and Israeli delegates at the Middle East peace conference in Washington announce that Israel will gradually release an estimated 13,000 Palestinians held for anti-Israeli violence.

United Nations (UN)

(See also *Angola; Bosnia; Haiti; Somalia; US*)

Oct. 4—The Security Council votes unanimously to extend the peacekeeping mission of the UN forces in Bosnia and Herzegovina, Croatia, and Macedonia for 6 additional months; the mandate for the 22,000 troops expired Sept. 30.

Oct. 8—The General Assembly votes to withdraw its request for voluntary sanctions by UN members against South Africa that has been in place since 1962.

Oct. 13—The Security Council votes unanimously to reimpose economic sanctions and an oil and arms embargo against Haiti; the council says it is taking these actions because Haiti's military government has violated the terms of a July agreement to allow ousted President Jean-Bertrand Aristide to return to power.

Oct. 16—The Security Council unanimously approves the imposition of a naval blockade on Haiti. Ships from Canada, France, and Argentina are expected to join US ships in enforcing the blockade.

ALGERIA

Oct. 31—Three French diplomats taken hostage a week ago by Islamic militants are freed in a raid by Algerian security forces; 6 militants were killed in the raid.

ANGOLA

Oct. 6—The National Union for the Total Independence of Angola (UNITA) mission in Lisbon says that UNITA accepts the results of Sept. 1992 elections that it lost to the government party; it also accepts the May 1991 peace treaty that briefly halted the war, but says the pact should be updated.

Oct. 16—For the 1st time since UNITA began its siege of Cuito 9 months ago, a truce allows the UN to fly in food aid; relief workers say 30,000 people have died in the siege.

BOSNIA AND HERZEGOVINA

(See also *Intl, UN*)

Oct. 4—A UN spokesman says the Bosnian army has begun an offensive against a Croat militia in the central town of Kiseljak; he says the militia has attempted to cut the army's supply lines near Kiseljak.

Oct. 27—UN observers conclude that Bosnian Croat troops killed at least 25 civilians in the predominantly Muslim village of Stupni Do on October 23; this is the 1st time observers have been able to quickly gain access to a village after a massacre has been alleged. Evidence collected there will be brought before the UN War Crimes Commission.

BRAZIL

Oct. 28—José Carlos Alves dos Santos, former congressional and federal budget director, is discovered to have secreted over \$3 million as part of a kickback scheme in which he has implicated 26 other government officials.

BURUNDI

Oct. 21—In Bujumbura, the capital, army officers mount a coup against President Melchior Ndadaye, who was voted into office in June in the country's 1st multiparty elections; several government ministers, led by Prime Minister Sylvie Kingi, take refuge in the French embassy.

Oct. 23—According to the International Committee of the Red Cross in Rwanda, 30,000 members of the dominant ethnic group, the Hutu, have fled to Rwanda since the coup; the military is predominantly Tutsi, the minority ethnic group.

Oct. 24—State radio announces that President Ndadaye and 6 cabinet ministers were killed in the attempted coup, which apparently is collapsing; army generals have asked the government to reassume authority over the military.

Oct. 27—Military spokesmen say several thousand people have been killed in ethnic violence across the country in the 6 days since the attempted coup.

CAMBODIA

Oct. 1—Khieu Samphan, the titular leader of the Khmer Rouge insurgency, says his group supports the new constitution; Prince Norodom Ranariddh, the first prime minister, has insisted that the Khmer Rouge recognize both the new government and the constitution and give up captured territory.

CANADA

Oct. 25—In a major upset, the Liberal party, led by Jean Chrétien, wins the largest number of seats in the House of Commons in national elections today, replacing the Progressive Conservative party government of Prime Minister Kim Campbell. The Progressive Conservatives will only have 2 seats in the new Parliament, down from 151; the Liberal party will have 178, up from 79. The Bloc Québécois, a secessionist party, wins 54 seats and the Alberta-based Reform party wins 52. Two smaller parties won a total of 9 seats.

CHINA

(See also *US*)

Oct. 5—China explodes a nuclear device, breaking an informal moratorium on such tests.

CROATIA

(See *Intl, UN*)

EGYPT

- Oct. 9—The head prosecutor in a military trial of suspected Islamic militants, Colonel Taha Sayidd, is shot and wounded by 4 gunmen outside his home near Cairo.
- Oct. 11—In Cairo, 1 policeman and 1 suspected Islamic militant are killed in a shootout following a raid of the suspect's hideout. Another police officer is killed by 2 suspected Islamic militants in the southern part of the country.
- Oct. 30—Eight Muslim militants are sentenced to death in a military court after they are convicted of reviving al-Jihad, the group responsible for the assassination of President Anwar Sadat in 1981.

EL SALVADOR

- Oct. 30—Heleno Castro Guevara, a former military commander of the Farabundo Martí National Liberation Front, is found murdered; three other former guerrillas have been killed in the last week.

FRANCE

(See *Algeria*)

GEORGIA

(See also *Russia*)

- Oct. 1—The Abkhazian mission in Moscow reports separatist forces captured the Abkhazia region from government troops yesterday.
- Oct. 4—Government troops recapture the town of Khoni, which had fallen last weekend to the 10,000-member-strong militia of deposed President Zviad Gamsakhurdia.
- Oct. 22—Government troops recapture Samtredia, which had been captured by Gamsakhurdia's militia on Oct. 17.
- Oct. 24—For the 1st time government troops capture a stronghold of Gamsakhurdia's militia, the town of Martvili, 30 miles northwest of Kutaisi, which is the country's 2d-largest city.

GREECE

- Oct. 11—Results from parliamentary elections held yesterday show that former Prime Minister Andreas Papandreu's Pan-Hellenic Socialist Movement captured 170 of parliament's 300 seats; the conservative New Democracy party under Prime Minister Constantine Mitsotakis took 111 seats.

HAITI

(See also *Intl, UN; US*)

- Oct. 6—In Port-au-Prince, 26 American and 5 Canadian soldiers arrive as the 1st of 1,300 UN peacekeepers charged with helping the military and police forces; in July the military government signed a UN-brokered pact to allow the return of ousted President Jean-Bertrand Aristide on Oct. 30.
- Oct. 11—Haitian officials block the landing in Port-au-Prince of more than 175 US and 25 Canadian military engineers scheduled to arrive as part of the UN mission. A group of armed demonstrators harass diplomats and reporters who had arrived to greet the troops.
- Oct. 12—The administration of US President Bill Clinton orders the ship carrying the US and Canadian soldiers to sail for the US naval base at Guantánamo Bay, Cuba.
- Oct. 14—Justice Minister Guy Malary and 2 aides are killed by gunmen as they leave Malary's office; Malary recently removed a Supreme Court justice who was favored by the military government of Lieutenant General Raoul Cédras.
- Oct. 15—About 230 UN human rights monitors are evacuated.
- Oct. 20—The United States announces that the sanctions against Haiti will not be lifted unless several conditions are

met, including an end to political violence, the dissolution of the police auxiliaries, and a guarantee of security for the parliament, government ministers, and the people of Haiti.

Oct. 30—Cédras still refuses to relinquish his post, and the deadline for Aristide's return passes.

INDIA

- Oct. 16—Saying some 100 Muslim guerrillas are holed up inside, government troops surround a mosque in Srinagar, the capital of northern Jammu and Kashmir state, and order the rebels to come out.
- Oct. 22—In Bijbihara, a town in the Kashmir Valley, 22 people are killed and an unknown number wounded when paramilitary troops open fire on demonstrators protesting Indian rule and the continuing siege at the mosque in Srinagar; at least 3 other people are killed and 36 wounded by troops during protests in other towns in Kashmir and in Srinagar; a strict curfew is in effect in the valley, and tens of thousands of army and paramilitary troops have been deployed in the region.

IRAN

(See *Iraq*)

IRAQ

- Oct. 20—In Paris, Iran and Iraq conclude their first official meeting in 3 years; officials have spent two days reportedly discussing the exchange of prisoners of war.

ISRAEL

(See also *Intl, Middle East Talks; Lebanon*)

- Oct. 2—In Gaza City and the nearby Bureij refugee camp in the Israeli-occupied Gaza Strip, 2 members of Hamas, a militant Islamic group, are killed and 16 others arrested by the Israeli army.
- Oct. 4—Outside the Israeli army headquarters in Beit El, in the Israeli-occupied West Bank, a suspected Hamas member is killed as he drives his boobytrapped car into a bus and injures 30 Israeli soldiers.
- Oct. 9—Two Israeli hikers are shot and stabbed to death by 4 Palestinian attackers in a desert area outside Jericho in the Israeli-occupied West Bank.
- Oct. 21—Assad Saftawi, a member of the PLO's Fatah faction, is assassinated. He is the 3d Fatah officer to be killed this month.
- Oct. 25—Israel releases 700 Palestinian prisoners as part of the peace accord between Israel and the PLO. Over 9,000 Palestinians are still imprisoned.
- Oct. 29—Hamas militants kidnap and kill a Jewish settler in Beit El in the West Bank.

JAPAN

- Oct. 26—US Trade Representative Mickey Kantor announces that the US will not invoke trade sanctions against Japan next week, since Tokyo has agreed to eliminate restrictions on foreign firms' bidding on public works projects by January 20.

JORDAN

(See *Intl, Middle East Talks*)

LEBANON

- Oct. 9—At least 1 member of the Syrian-backed Popular Front for the Liberation of Palestine is killed by fire from Israeli gunboats off the southern Lebanese coast; he was part of a

guerrilla group attempting to enter northern Israeli territory on jet skis.

LIBYA

Oct. 22—It is reported that Colonel Muammar Qaddafi has crushed an army revolt that sought to overthrow him; official news agencies have not reported any fighting, but diplomats and opposition leaders believe the revolt took place between Oct. 11 and Oct. 14.

MACEDONIA

(See Intl, UN)

PAKISTAN

Oct. 19—Parliament elects Benazir Bhutto prime minister; Bhutto, who was dismissed as prime minister in 1990 on charges of corruption and incompetence, will head a minority government; in the 3d national election in 5 years, Bhutto's Pakistan People's party captured 86 of the 200 seats in parliament in the Oct. 7 elections.

POLAND

Oct. 26—Waldemar Pawlak is sworn in as prime minister after his Polish Peasants party's victory in elections last month.

RUSSIA

(See also Intl, Middle East Talks; US)

Oct. 1—At talks mediated by the Russian Orthodox Church, an agreement under which rebels opposed to President Boris Yeltsin who are occupying the Russian parliament building in Moscow would surrender their weapons and leave, collapses; several hundred rebels have been holed up inside the building since shortly after Yeltsin dissolved parliament Sept. 21; the rebels are led by deposed vice president Aleksandr Rutskoi and Ruslan Khasbulatov, the speaker of parliament; the government has pledged not to use force to remove the rebels.

Oct. 3—Thousands of protesters at an afternoon demonstration against Yeltsin in Moscow's October Square march on parliament; Rutskoi appears on a balcony and urges them to attack the broadcasting center, the mayor's office, and the Kremlin. Demonstrators storm and occupy the nearby building that houses the offices of Moscow's mayor; prisoners are taken.

Yeltsin returns to the Kremlin from his vacation home and declares a state of emergency and a curfew in the capital. An hour and a half later, anti-Yeltsin forces attack the state-owned Ostankino television complex with rocket-propelled grenades; government troops counterattack; some 62 people, many of them civilian bystanders, are killed; offices of the news agency Tass also come under attack. Some 15,000 Yeltsin supporters rally outside the Moscow City Council building. Between 10,000 and 15,000 opponents of Yeltsin are estimated to have taken part in today's violence.

Oct. 4—Early morning talks between envoys representing Yeltsin and the forces in the parliament building fail. Armored personnel carriers arrive outside the building.

Yeltsin pledges in a televised address to crush what he terms the "armed fascist putsch." During the day government troops surrounding the parliament building use rocket and tank fire on the parliament to dislodge the rebels.

Yeltsin issues a decree banning some Communist and nationalist opposition parties; suspending publication of 7 newspapers, including *Pravda* and *Sovetskaya Rossiya*; and imposing censorship at some mainstream papers.

Hundreds of rebels begin to surrender near the end of the

day; Rutskoi and Khasbulatov, with about 30 followers, also surrender. Former General Albert Makashov, who led the attack on the television station yesterday, is reported arrested. About 1,000 unarmed demonstrators storm the television station in St. Petersburg, demanding air time, but the incident ends peacefully.

Oct. 6—In a televised speech, Yeltsin confirms that new parliamentary elections will be held December 12; the state of emergency in Moscow is extended another week.

Oct. 7—Yeltsin suspends the Constitutional Court until a new constitution is adopted. The president also decrees that all governors and heads of regional administrations must now be appointed and dismissed by the president.

Censorship of newspapers is lifted, but the ban on opposition newspapers remains in force.

Oct. 8—Police put the death toll in the 2 days of violence in Moscow at 187 killed, including 76 civilians, and 437 wounded; Interior Minister Viktor Yerin yesterday said 49 bodies were found inside the parliament building; at least 1,600 people were detained, authorities say.

Under Yeltsin's state of emergency decree, the Justice Ministry suspends 10 political parties, including the Communist Party of the Russian Federation.

After a meeting in Moscow with Yeltsin and the leaders of Armenia and Azerbaijan, Eduard Shevardnadze, the Georgian leader, says Georgia will join the Commonwealth of Independent States; now all the former Soviet republics except the Baltic states are CIS members.

Oct. 11—In a decree signed today, Yeltsin says elections for the 176-seat Federation Council, the upper house of the new parliament, will be held December 12.

Oct. 14—The government permanently bans 13 newspapers and a television show for what it said was their contribution to the recent disorders in Moscow; the dailies *Pravda* and the nationalist *Sovetskaya Rossiya* will be permitted to resume publishing if they change their names and dismiss their current editors.

Oct. 18—Russia dumps 900 tons of radioactive water and low-level nuclear waste into the Sea of Japan; ocean dumping of radioactive materials has been banned for 30 years.

Oct. 27—Yeltsin signs a decree that would grant all workers on state-owned farms and cooperatives shares that they could redeem as land or transfer or mortgage without restrictions.

SERBIA

Oct. 20—Serbian President Slobodan Milosevic dissolves parliament and calls for new elections to be held on Dec. 19.

SOMALIA

Oct. 3—In Mogadishu, US army Rangers acting separately from the UN mission in Somalia raid a stronghold of General Mohammad Farah Aidid's faction, capturing 24 prisoners; in subsequent street fighting, at least 300 Somalis are killed, one-third of them civilian women and children, and 700 are treated at hospitals for wounds, while 18 US troops are killed and 77 wounded, along with 1 Malaysian peacekeeper; 1 US pilot is taken prisoner by Aidid's fighters; Somalis drag the remains of 2 soldiers through the streets.

Oct. 7—In a televised address from Washington, D.C., President Bill Clinton says the US will send about 5,300 additional troops to join the 4,700 already in Somalia, along with an aircraft carrier, but says all US forces will be withdrawn by next March 31.

Oct. 8—Somali elders deliver to UN officials in Mogadishu 2 mutilated bodies believed to be those of US soldiers, apologizing for their clan members' treatment of them.

Oct. 9—In a radio address, Aidid says his Somali National Alli-

ance militia proposes a total cease-fire and will stop attacking UN and US forces.

Oct. 14—Aidid releases the American soldier captured Oct. 3 and a Nigerian peacekeeper taken prisoner Sept. 5.

Oct. 19—Major General Thomas Montgomery, the top US commander in Somalia, says US troops will no longer join other UN peacekeepers from the 33-nation force in patrolling Mogadishu.

Oct. 22—A visit to Baidoa and Mogadishu by UN Secretary General Boutros Boutros-Ghali sparks street protests in the capital against UN intervention in Somalia.

Oct. 26—In Mogadishu battles between members of clans headed by Aidid and Mohammed Ali Mahdi end; at least 17 Somalis are reported killed, and scores wounded.

SOUTH AFRICA

(See also *Intl, UN*)

Oct. 8—Army troops enter the independent black homeland of Transkei and in a planned raid kill 5 teenagers suspected of belonging to a guerrilla group.

Oct. 14—A Johannesburg court convicts Janusz Walus, a Polish immigrant, and Clive Derby-Lewis, a leading member of the white separatist Conservative party, who gave Walus a gun and a hit list, of conspiracy and murder in the April assassination of Chris Hani, head of the South African Communist party.

Oct. 15—President F. W. de Klerk and African National Congress president Nelson Mandela are awarded the Nobel Peace Prize.

SPAIN

Oct. 3—*The New York Times* reports the deaths of suspected Basque Homeland and Freedom (ETA) guerrillas Miren Gurutze and Xabier Galparsoro last weekend in police custody; 2 weeks ago more than 80,000 demonstrators at a Basque peace rally in San Sebastián called for the ETA to release kidnapped industrialist Julio Iglesias Zamora, whom it had held for 3 months.

Oct. 19—Hooded gunmen kill army General Dionisio Herrero Albinana in Madrid; the ETA is believed responsible.

UKRAINE

Oct. 25—At a press conference in Kiev with US Secretary of State Warren Christopher, President Leonid Kravchuk says Ukraine will not keep 46 Soviet SS-24 missiles left on its territory but will dismantle them; Foreign Minister Anatoly Zlenko and Christopher sign a technical agreement on \$175 million in US funds for Ukraine to aid in the missiles' dismantlement.

UNITED KINGDOM

Great Britain

Oct. 16—In Welling, a London suburb, some 15,000 people attempting to march on the headquarters of the right-wing British National party battle 7,000 police deployed in the area.

Northern Ireland

Oct. 23—A package bomb explodes at a store in a Protestant area of Belfast, killing at least 9 people, including the bomber, a member of the Irish Republican Army; 50 others are wounded; the Ulster Freedom Fighters, a Protestant paramilitary group, had its headquarters above the shop.

Oct. 30—Protestant gunmen kill 6 Catholics and a Protestant in a bar in Greysteel; 7 other Catholics have been killed by Protestant militants since Oct. 23.

UNITED STATES

(See also *Intl, Middle East Talks; Haiti; Japan; Somalia; Ukraine*)

Oct. 5—President Bill Clinton announces that the US may resume testing nuclear weapons after receiving reports of a Chinese nuclear test today.

Oct. 12—Administration officials say that a ship carrying troops that was scheduled to leave for Haiti tomorrow will not sail; Clinton says he will not send troops to Haiti until the UN-mediated agreement signed in July by the military government of Lieutenant General Raoul Cédras and ousted President Jean-Bertrand Aristide is honored by Cédras.

Oct. 18—Clinton orders the Treasury Department to freeze any assets Haitian military officials might have in the United States.

Oct. 21—Both houses of Congress pass a bill approving \$401.6 million for UN peacekeeping forces in the next fiscal year; the estimated costs for the next year is \$1.2 billion. US outstanding arrears for peacekeeping total \$166.6 million, second only to Russia.

Oct. 24—In Miami a Haitian radio host and Aristide supporter, Dona St. Plite, is murdered. Three Haitian radio hosts have been killed since 1991. ■

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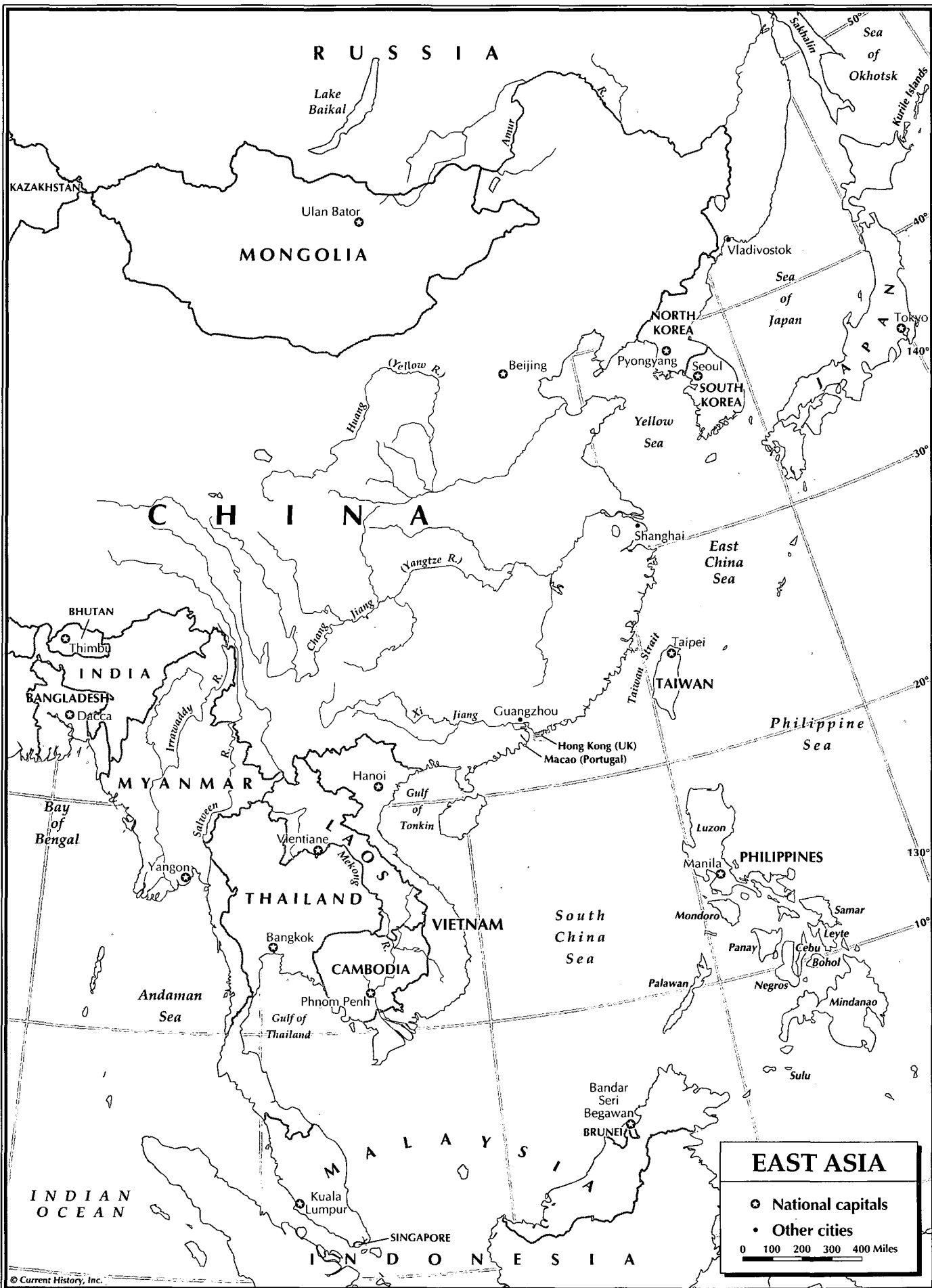
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